

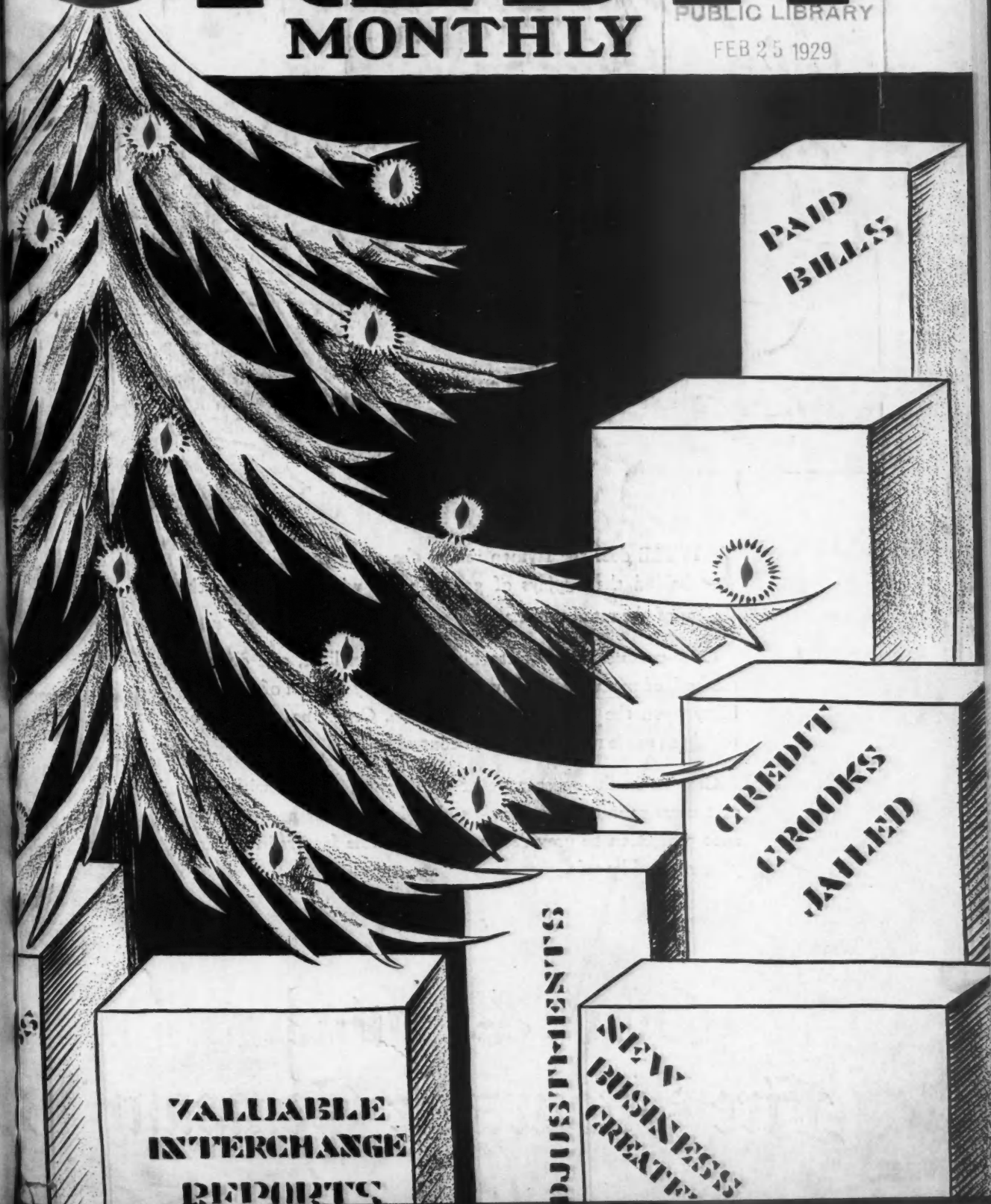
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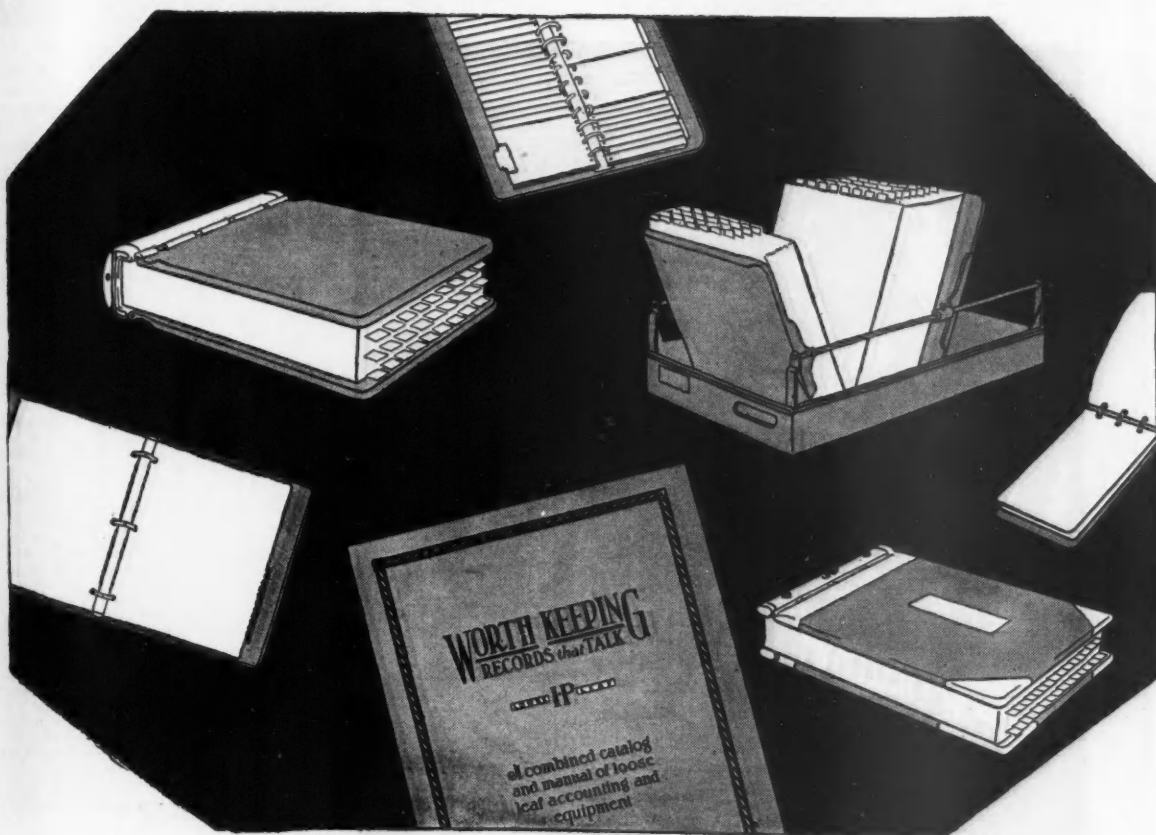


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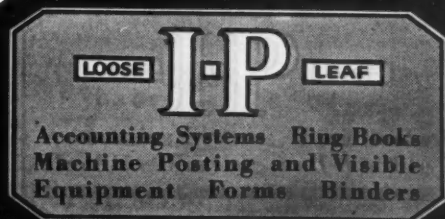
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Addresses Wanted

This column is read by some Credit Managers before any other feature of the magazine. Any member of the National Association of Credit Men can have names listed herein. He has only to send the names to the secretary of his local Association of Credit Men or to S. Ardron, Jr., Credit Protection Department, N. A. C. M., One Park Ave., New York. Members are requested to mention the line of business as well as the last known address.

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MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

RODMAN GILDER, Editor

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Dec., 1928

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STEIN, SAM, formerly 333 Peshine Ave., Newark, N. J.

TRAVERS, WILLIAM A., Prop., Community Radio Supply Co., formerly 231 North Front St., Philadelphia.

WULFF, HENRY, 7215 Fifth Ave., Brooklyn.

YOST, EMIL E., Yost Correspondence School for Fur Patterns, formerly at 4701 Sheridan Road, Chicago.

YOUNG (POWELL) MILLER (CHARLES) HERRON (J. A.), formerly doing business as Scarboro Coal Company, Newark, N. J.



Insurance is already bearing its burden as the hazardous work of the lumbermen keeps the floating logs from jamming and speeds them on their way for industry's consumption.

INSURANCE IN INDUSTRY

INSURANCE plays a stupendous role in modern industries. In lumbering for instance. Nowhere, from the source of supply through to the thousands of ultimate uses of wood products, is there a phase wherein the protecting hand of insurance can safely be ignored. All along the line there are dangerous elements, particularly fire and windstorm waiting to damage and destroy. Lumber as raw and finished product comprises a great part of our nation's wealth. It is lamentable that fire alone, often preventable, should every year destroy so great a portion of it. But it is a satisfying job that great insurance companies, financially sound and efficiently managed, have in assuring the stability of American Industry. From first to last in industry, insurance indemnity is an absolute necessity. Therefore it pays to buy the best.



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CREDIT

MONTHLY

Vol. XXX

DECEMBER, 1928

No. 12

The Betrayer

By Stephen I. Miller

Executive Manager, National Association of Credit Men

FOR centuries a restricted, undeveloped business world exchanged goods for goods. The economist has called this the age of barter which still may be found on the frontier of business civilization. Gradually a measure of value was introduced as a basis for the exchange of commodities, and in different countries iron, ivory, tea, dates, wheat, cattle, wampum and fur served in the capacity of money. Much later gold, silver and paper became both a measure of value and a medium of circulation. Today in the United States about 8 billion in money suffices for a nation of more than 100 million people possessing wealth equal to 350 billion and an annual production of more than 75 billion in money value. When one conceives a business structure involving billions in bank deposits, trade volume and production, all built upon a base of 8 billion in money, another wonder of the world must take its place along with the great accomplishments of the past. In short, this is known as the CREDIT structure of the Nation.

If one were to make an inventory of all the parts of this great credit organization it would involve men and buildings, raw materials and finished products; it would include law and order, armies and battleships. An inventory of the credit structure would be an inventory of the entire economic system.

However, there is a condition, a force, a human attribute, upon which the entire credit structure depends. It can not be put down in a book; it can not be assembled and put in a warehouse; it has a value but can not be bought or sold and once lost it can not be fully restored. This force, without which the credit structure would be a mass of ruins, is CONFIDENCE.

The nickel in your pocket does not contain five cents' worth of marketable metal; the paper dollar in and of itself is not worth a cent; the promissory note, the bill of exchange and the bills received are little more than scraps of paper. Let confidence in the Government, in the makers of notes and bills, be destroyed, factories would shut down, banks and stores close, trains stop and business come to a complete standstill.

Yet in every system there will be found some outlaws. Occasionally a Government betrays the confidence of its people and destroys the progress of a hundred years. Frequently a business man makes out a false financial statement and deceives the banker and the credit manager. Such violations are left to armies and courts.

There is another offender of credit confidence who generally does not act maliciously but who, nevertheless, betrays a cardinal principle of trust and business ethics. This man goes down to the bank or to some credit manager or writes them for confidential information before filling the order upon his desk. Then with a scratch of the pen he proceeds to strike a blow at the entire credit structure and destroy himself. He writes to the prospective customer a letter which reads something like this:

"We very much regret that it will be impossible to fill your order of the 22nd. After careful inquiry at your bank and of Mr. John Doe, one of your creditors, we find that your credit position will not justify the shipment."

Nations and men strive for, fight for, the principle that makes for confidence, trust, loyalty and co-operation. Business is credit; credit is character; character is confidence.

One Month's Convictions

(September, 1928)

Obtained by the Credit Protection Department of the
National Association of Credit Men

CASE	PERSONS CONVICTED	CHARGE	SENTENCE
Gasco Specialty Co. New York City (Groceries)	Leo Katz	Vio. 37 and 29B	Sentence Deferred
Farmers Furnishings Supply Co. Raeford, N. C. (Gen'l Mdse.)	N. J. Aboud Nick Coulopulas	Using the mails to defraud Using the mails to defraud	Six years in Atlanta Penitentiary, and fined \$3,000 18 months in Atlanta Penitentiary
Simon Shear Aberdeen, N. C. (Gen'l Mdse.)	Simon Shear	Concealment	Four years in Atlanta Penitentiary
Pioneer Dress Co. Philadelphia, Pa. (Dress Mfr.)	Albert Donper	Using mails to defraud	Fined \$500 and placed on parole for two years
Albert Barrow Delbarton, W. Va. (Clo. & Shoes)	Albert Barrow Joe Abraham	Concealment of assets Concealment of assets	Six months in Kanawha County Jail, Charleston, W. Va. Fined \$500
Adlas Furniture Co. Rochester, N. Y. (Furn.)	Maxwell B. Senzel	Violation Section 215	1 year and 1 day, which sentence was suspended, and placed on parole for 1 year
William Demis, alias Dimos Danville, Ill. (Candies & Fruits)	William Demis, alias William Dimos	Vio. Sec. 29B and Sec. 215 U.S.C.C.	1 Yr. 1 Day Leavenworth Peni- tentiary
Reliable Storage Battery Co. Cleveland, Ohio (Batteries)	Edward Stevens	Vio. Sec. 215 C. C.	8 Mos. Dayton workhouse
Taylor Square Furniture Co. Cleveland, Ohio (Furn.)	Al. Ruthenberg	Vio. Sec. 29B	15 Days Cuyahoga County Jail
Geo. Sarkes Cleveland, Ohio (Men & Women's Clo.)	Geo. Sarkes	Contempt	Sentence Deferred
L. D. Berkower Cleveland, Ohio (Gen'l Mdse.)	L. D. Berkower	Contempt	Sentence Deferred
Jos. Fero Alameda, Calif. (Ladies' Ready-to- Wear)	Jos. Fero	False financial statement	Six months Imprisonment County Jail, San Francisco. Sentence suspended

Total Convictions June 1, 1925 to Oct. 31, 1928—569

Suggestion: The above information will enrich your credit files!

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Survival of the Farmer

Science and Good Management Better than Subsidies

By H. H. Heimann

The Kawneer Manufacturing Company, Niles, Mich.

An address on the agricultural situation, at the recent Indiana-Kentucky and Illinois-Missouri Conferences of Credit Men by Mr. Heimann, a director of the National Association of Credit Men, has attracted wide attention. Farm subsidy proponents maintain that the Federal Reserve Act was passed for the protection of the bankers, the Esch-Cummins Act for the railroads, and the Adamson and the immigration laws for Labor, but that no laws are enacted for the farmer. Mr. Heimann asks if any of these laws call for a subsidy paid by the Treasury to a single class or industry. He then summarizes the farming situation and draws the conclusions printed herewith.

FARMING is in a state of revolution—that summarizes the entire farming situation in our Country. People will continue migrating from the farms, and the farm population will continue growing less, for no longer is it necessary to have large manpower on the farms—machinery takes its place and the age and era of machinery in farming has just dawned, and it is doing for farming what the age of steam and electricity did for industry. But farming is undergoing a revolution even farther than the introduction of machinery, for it is introducing a new technique of intelligent scientific farming, which will displace by wholesale measures those who do not avail themselves of the new methods.

We hear complaints about people leaving the farms. The crux of the farm problem is that American agriculture is today in every way overmanned, and overdeveloped—too many farmers, too many farm laborers, too much land under cultivation. The men who leave the farming industry are going into the cities where they are able to enjoy a scale of living higher than that which they enjoyed on the farms, with a consequence that they are adding to the purchasing power of the Nation instead of diminishing it, as some people would have us believe. The migration from the farms, they say, is cutting into the industry by reason of diminished farm prosperity. But when the farmer migrates, does he vanish? The very reason he migrates, if you analyzed it, would convince you that in time he will increase the prosperity



of the Nation and relieve the farm situation.

This is an age of mass production in which machinery is more and more reducing the manpower necessary to the production of a given amount, whether of industrial or agricultural production.

The average investment in agricultural machinery per acre in 1890 was 76 cents, in 1920 \$3.76, and in 1927 certainly in excess of \$5. In 1910 there were few farm tractors. In 1920 there were a quarter of a million and in 1925 over one-half million.

There is no denying that the average farmer is not making a decent living, but there are exceptional farmers who all through this period of farm depression have made money. They have utilized farm machinery and, even though wages have doubled

on the farm during the past seven years, through the use of farm machinery they have lowered production costs. Scientific farming has paid well all along, but it is not the scientific farmer who is complaining. He hasn't the time. He is busy making money.

A scientific farmer sprays his trees, because he knows that it actually helps the yield as well as the quality of crops 50 per cent. The average farmer gets 4,300 lbs. of milk from a cow. The exceptional farmer watches his herd carefully, disposes of the "boarder" cows, and gets a yield of 12,000 lbs. of milk. The efficient farmer breeds his cows so they calve in the fall, thus giving him maximum milk in the fall and winter when he can handle it. If left alone, the cows will breed to calve in the spring, and give maximum milk in harvest time when prices are low and it is hard to find time to handle the milk.

Discrepancy in Costs

How can you stabilize an industry that has such a wide discrepancy in cost of production as has farming. The gulf between the average cost and the efficient cost is tremendous. In wheat, costs of production ranges all the way from 80 cents to \$2 per bushel. In corn 30 cents to \$1.25, in cotton from 3½ cents a pound to 50 cents, cattle from 7 cents to 23 cents a pound, and pork 2½ cents to 13½ cents. Now what is a fair cost of production and who is going to determine it? When there is as much variance as there is in producing farm products, doesn't the impossibility of stabilizing this business in any other way than the survival of the fittest appeal to you as ridiculous?

Only one out of every 26 farms is equipped with a tractor. A farm of 100 acres or more can use a tractor to advantage. There are five and one-half million such farms, but only one-half million have tractors. You can plow five times as much and harvest two times as much with a tractor as in the old-fashioned way. To-

day plowing, harrowing and disking are done in one operation by the farmer who is utilizing machinery.

It formerly cost farmers 22 cents a bushel to harvest and thresh wheat, and it costs farmers almost that now who do not utilize the combination harvester. The combination harvester does the complete job for less than five cents a bushel. There are 166,000 farmers who could use those machines in Kansas alone, but only 4,000 use them. Two men with this machine can do the work of twelve men in the old-fashioned way. Two operators using a corn picker and husker can do the work of fifteen men and fifteen teams by the old-fashioned method. The new cotton harvester will do the work five times as fast as hand pickers.

Now, what is a fair return—shall it be based on the scientific and machine production cost or the old-fashioned average cost?

There is a wide discrepancy in costs of production, depending on the size of the farm. Three-fourths of the farmers today are farming less than 100 acres. Who could work that size farm in grain and compete with larger farms which use machines?

Productivity of the soil likewise calls for consideration. One-fifth of the farming land is unproductive, and should never have been tilled. The yield is too low on this land to make it economically tillable. It is marginal land. How are you going to take care of the farmers who are operating these farms? Is it any wonder that American agriculture has reduced its population 11 per cent., while it increased its crops 5 per cent., and while every farm worker has increased his production no less than 15 per cent? Furthermore, between 1909 and 1919 alone, 45 million acres of new land were placed under cultivation. It is questionable whether an acre of this was needed.

Science in farming enters into the problem. The scientific farmer converts his crops into beef and pork. The average farmer sells them in bulk, and at the poorest time of the year, when prices are usually at rock bottom.

Co-operative Marketing

We hear a great deal about co-operating marketing. Perhaps we think that legislation in this line will help. It will help, but it will not defeat the natural economic law of supply and demand, and it will not stop migra-

tion from the farms. One-fifth to one-fourth of the total of all farm products are marketed through farmers co-operatives, and the balance is marketed independently.

Co-operative marketing will help in improving the quality and improving the efficiency of farming, and will bring the individual producer into a more favorable position for commanding production and marketing credit. *But co-operatives must be efficiently managed; there must be a need for them; and a loyal membership must support them.* During the past fifteen years 11 per cent. of the co-operatives have failed because they lacked these essentials.

The problem of distribution is one of our greatest problems. Though we have spent years studying it, we have barely scratched the surface. The distribution problem if solved will help the farmer by cutting one of his costs.

But all of these things will not stop migration from the farm. Suppose that every farmer in the United States became efficient and followed scientific methods. You would then have a production that would yield a tremendous surplus and drive down the prices of farm products even below present levels. Unlike industry, the farmer cannot well expand consumption except through diversification, and even then it is at the expense of some other farm product. Again it is a survival of the fittest, and those who produce most economically will continue to show earnings whereas the average will prove a failure. There is nothing unusual about this fact. It is so in business today, for a large proportion of our industries operate unprofitably. Even in similar lines of industry there is a wide discrepancy between earnings.

What, then, is the solution? Is there any hope? Should the farmers pull out and abandon the farms? One of the reasons that the farm situation does not adjust itself immediately to the law of supply and demand is because of the immobility of capital and that is likewise the reason why there will be no abrupt abandonment of farming. There will, however, be a gradual but certain decline of farm population over the next decade. The reduction in the number of farmers will depend entirely on the way in which labor saving machinery is introduced, and used, and the way modern farm management takes hold. The changes in

this respect have been more violent in the past few years than at any time within our history, and that is why the problem seems so acute. Antiquated farm methods will only result in farm abandonment.

Legislative Help

The legislation that could help farmers would be for scientific research appropriations in the hope of discovering industrial uses for farm products. If only a small part of the amount that was sought to be appropriated for the farm relief bill could be utilized for industrial research, the surplus farm production might find a much larger market. Chemists have already put enough kick in a bale of cotton to sink a battle-ship. Many uses have been found for corn stalks in the industrial products, and there is no reason why many other uses could not be discovered for other farm by-products. In ordinary industrial business the human wants for material things are limited only by one's purse, but in food, one can eat only so much.

Little has been done to increase the consumption of farm products. The introduction of machinery has in fact hurt it for tractors don't eat corn or hay, neither do they fertilize the soil. Quit hoodwinking the farmer into believing you can legislate prosperity, and be honest, open and frank with him, and tell him his true situation. Tell him frankly you will put science to work so that he can raise crops for their industrial rather than their food value.

We should have no more land thrown open for farming, no more reclamation projects. There is now too much marginal land that should never have been plowed. If the government will refrain from legislation of this character, such negative action will do a constructive service to the farmer. The reclamation projects of the past are in a measure at the bottom of the farmers' present troubles. They have thrown open too much land for farming.

The rise of land values is in no small measure responsible for the farmer's situation. It has been often said that a farmer is the only man who could go ahead year after year and get scarcely nothing for his labor and still retire in old age on his profits. The reason of it was the rise in

(Continued on page 24)

The Parker's Junction Firebug

A Fact Story by Maurice Crain

"VACATION?" said the Old Investigator. "Yeah, I always like to take mine late so I can do a little hunting. What's that? No, not manhunting—bird hunting this time. I'm going up into the hills and shoot a few quail. The crooks can get away with everything but the office safe during the next two weeks, and I don't even want to know about it until I get back."

"Where to? Oh, the same place I went last year. My hunting trip last fall turned out to be a letter-carrier's holiday—spent most of it getting evidence on a credit crook. The office didn't call me back. I ran into the case up there, and it was so interesting I forgot all about being on vacation. You see, it started out with a series of fires the first night I spent in the town. Everybody in Parker's Junction was hunting the firebug, so I lost interest in hunting quail. Didn't I ever tell you about it?"

Minus some extraneous reminiscence and comment by the way, this is the Old Investigator's story of The Great Parker's Junction Firebug Mystery:

The Old Investigator's Story

I was asleep in my room at the Parker House, tired after a long day of tramping in the hills, when the fire alarm was sounded by the Methodist Church bell. I could smell smoke as soon as I woke up, and thought the hotel must be afire; but when I stuck my head out the window I could see that the fire was in a store building half-way down the block. The fire must have been smouldering on the inside for some time before it broke through the roof, because it was going strong. I could see the Court House clock by the glare, and noticed that it was a quarter to one.

The volunteer fire company, such as it was, came clanging to the rescue after a little delay, but there wasn't much the boys could do. The old building was going like a blowtorch from cellar to roof, and the captain wisely put his men to wetting down the neighboring roofs.

Seeing there was nothing I could

do, and that the fire wasn't likely to spread, I stayed at the window and watched. Pretty soon I noticed, away off at the other end of town, the glow of another fire. Before I could get

the attention of anybody in the crowd below, the Methodist Church bell began clanging again. Three or four minutes must have elapsed before the crowd found out where the second fire was located, and then automobiles loaded with men began tearing down Main Street in that direction.

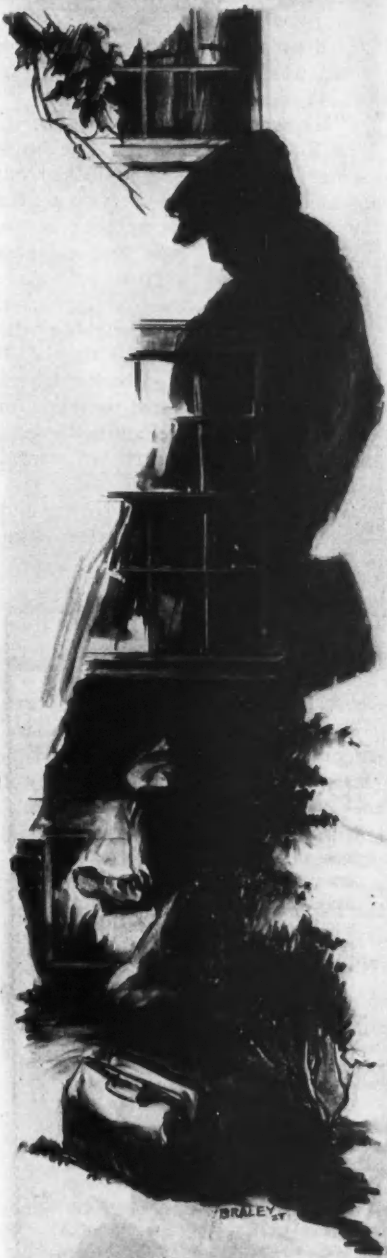
From my perch in the hotel window I could tell by that time that fire No. 2 wasn't going to amount to much. It was already looking kind of puny, and in another couple of minutes it was out. I judged that it must have been mainly brush and leaves. I had timed that fire at a minute after one.

Well sir, I began to get good and interested. A pyromaniac, a dangerous firebug, was evidently at large in that little town, and there was no telling what he might set next. The citizens, those of them who had stayed to watch the first fire, were more excited probably than they had been in years. The popular frenzy reached new heights when the Methodist Church bell began ding-donging again. Looking out in the direction of fire No. 2, I could see a third fire, then another and another, all close together and a few blocks to the left.

Automobile horns were making a terrific hullabaloo, and the church bell didn't stop ringing until the sexton gave too hard a jerk, and broke the rope. Parker's Junction was one of the liveliest towns in the country for the next thirty minutes, and the excitement kept up long after the last fire was out. I despaired of getting any coherent account of events that night, and about two-thirty I concluded that the firebug must have gone to bed, and did likewise.

The next morning I made friends with the sheriff, and asked him, as one sleuth to another, what he had found out. He hadn't learned a lot, it appeared, but he had a theory.

Fire No. 1, Sorenson's furniture store, was a total loss. There seemed to be a good deal of radio stock among the ruins. The furniture dealer and Old Man Pierce, who owned the store building, were the heaviest losers. It was impossible to tell how that fire



"Sam saw a dark figure crouching alongside of the Hazleton house."

had started, because it had made such headway before being discovered.

Fire No. 2 was Ed Hazleton's home. It had started in a big pile of dry leaves raked under the front porch. Sam Conroy, a queer chap who lived in a cabin up the river, had happened to be passing just a couple of minutes after the fire started, and he had wakened the family and helped them put it out. The last three fires had all been started in the same manner, in piles of dry leaves placed under the front porches of residences, and all of them were within a short distance of the Hazleton place.

The sheriff believed, naturally, that all five fires had been set by the same person, a pyromaniac with no logical reason for the destruction.

"I wouldn't be surprised if Sorenson goes to the wall," the sheriff said. "Old Man Pierce can stand the loss all right, but this young feller didn't have anything but the store. His face was white as a sheet last night when he got down town and saw that his store couldn't be saved.

"Where you been all this time?" I asked him, and he tells me that when the telephone girl phoned him the store was afire he couldn't get his car

started. Flooded the carburetor, I guess, in his excitement. It's a good thing for the town, though, that the store was set first. The last three houses fired were all unoccupied, and if they'd been set first they'd have been too far gone to save before anybody found out about it."

"The firebug," I suggested, "must have been at work at the Hazleton place when the alarm was given for the store. He set the three vacant houses while everybody was excited about the first two fires. The whole town was awake. It's a wonder he wasn't seen."

"He was seen," said the sheriff, "by Ed Hazleton's wife. She heard some kind of noise and looked out in time to see a man hurrying up the side street that runs by their house. All she could tell was that it was a man wearing an overcoat and carrying a bag or suitcase in his hand. Figuring it was some neighbor who had just gotten home on the 12:40 train, she started to go back to sleep. Then Sam Conroy came pounding on the door yelling 'Fire' and just about the same time the church bell started ringing."

Here the sheriff leaned over and spoke gravely, as if conveying in-

side information to a trusted friend.

"Sam Conroy, by the way, was wearing a long overcoat and carrying a market bag in his hand."

"Did Sam offer any explanation for being around the Hazleton place at that hour?" I queried.

"Said he'd stayed in town to meet the late train—expected to meet a feller who didn't come, a city feller who comes up here to hunt quail every fall. Sam said he got the market bag full of groceries and shotgun shells before the stores closed, and then waited around the station until the train came in. He had to pass Hazleton's house on his way home.

"According to Sam's story, he noticed a light through the shrubbery and saw a dark figure crouching down alongside the Hazleton's house when he came by. Said he figured it was Ed out with a lantern draining the water pipes to keep them from freezing. Then when he got down to the corner he noticed quite a blaze, and figurin' Ed must have turned his lantern over, he came back on the run. He was still pounding on the door when the church bell started ringing, and Sam wondered how the alarm got turned in so quick."

The sheriff smiled and winked slowly. "That's Sam's story," he said. "Pretty good imagination for that shiftless bum, ain't it?"

"If Sam was the firebug," I asked, "what motive did he have?"

"Them py-ro-maniacs," the sheriff assured me, "don't need no motive. Besides, Sam was sore at Sorenson because he wouldn't sell him a radio set on time—knew he wasn't good for it. And he was sore at a lot of folks in this town because the kids made fun of him. Hazleton's kids may have been in the bunch that dealt him misery last Hallowe'en. There ain't no telling what them queer ones will magnify into a reason for setting fires."

It was clear that the sheriff intended to arrest Sam Conroy as the firebug, but somehow I felt that he was making a mistake. His theory was that Sam had first set the store on his way home from the station, then the Hazleton place at the other end of town and the three vacant houses nearby in quick succession.

That theory didn't quite check with my own observations. It was possible, of course, that Sam had set fire to the store in such a manner that the fire wouldn't break through until he

(Continued on page 24)



Hot on the Trail!

PLENTY of action and accurate roping technique are rightfully attributed to the National Association of Credit Men in this cartoon, drawn by a staff artist for the Albany (N. Y.) Knickerbocker Press and used to illustrate a feature article in the October 21 Sunday Magazine section of the paper.

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Arbitration Laws

THE Legislatures of 37 states will be asked, early in 1929, to enact a commercial arbitration law more favorable to the requirements of modern business. More than 100 leading national trade bodies are behind this movement to secure such uniform comprehensive legislation and have endorsed a Draft State Arbitration Act which will accomplish this purpose, according to an announcement of the American Arbitration Association.

The associations actively co-operating include the National Association of Credit Men and such organizations as the American Bankers Association, American Exporters and Importers Association, American Society of Certified Public Accountants, American Society of Civil Engineers and National Association of Purchasing Agents.

Arbitration is an uncertain remedy for the settlement of business controversies in these 37 States because on agreement to arbitrate, a dispute later arising out of a contract may be repudiated by either party and no provision is made to secure the assistance of the courts to compel the arbitration to proceed. In seven States—New York, New Jersey, Massachusetts, California, Pennsylvania, Oregon and Louisiana—as well as under the Federal Arbitration Act, such an arbitration agreement is effective insurance against litigation, since it bars an action at law over a controversy arising out of the contract and requires the parties to settle it by arbitration.

As a result, business men in New York, Philadelphia, Boston, San Francisco and other cities in the seven states mentioned, have many economic advantages over those in such cities as St. Louis, Chicago, Seattle and Cleveland and in all the other states because of the inadequate arbitration statutes in such states.

The enactment of the Draft State Arbitration Act in all of the states would remove these geographical business handicaps. All arbitration agreements would then be uniformly applicable throughout the country, and commercial disputes would be settled speedily, inexpensively and with finality.

Briefly summarized, the Draft Act provides as follows:

1. When parties voluntarily agree to arbitrate all future disputes arising out of a contract and insert a clause to

E. J. Hess Joins Credit Protection Department

EDWARD J. HESS, Assistant U. S. Attorney for the Northern District of Illinois at Chicago since February 1, 1923, was appointed November 1, 1928, to the post of Counsel-Director of the Credit Protection Department, Cen-

cutor, Mr. Hess has successfully conducted some of the largest cases in the District in bankruptcy frauds, National Bank Act violations, mail frauds, as well as cases relating to interstate commerce and other important phases of governmental administration of justice, both civil and criminal.

He was recently assigned by the U. S. Attorney to handle the litigation for the government in securing a site for the new Chicago Post Office and condemnation proceedings in the acquisition of other property for that purpose.

He conducted the recent trial of the perpetrators of the Evergreen Park, Illinois, mail robbery, one of the boldest ever attempted in the District, which resulted in the sentencing of five defendants to a total of fifty-five years in the Federal penitentiary; the trial of Martin J. Durkin, who was sentenced to fifteen years in the U. S. penitentiary on a charge of violation of the Dyer Act and who was formerly convicted in the Cook County, Illinois, Courts for the murder of a Federal Department of Justice Agent; the trial of Joseph ("Yellow Kid") Weil, who was sentenced to five years in the U. S. penitentiary for receiving and concealing securities stolen from the mail; and the trial of James C. Michaels, sentenced to one year and one day in the U. S. penitentiary and fined \$1,000 for the filing of false claims against interstate carriers. Mr. Hess also secured convictions of a large number of defendants for violation of the Bankruptcy Act, and in all of these convictions suffered but one reversal in the U. S. Circuit Court of Appeals. He has also represented the U. S. Attorney's office in anti-trust prosecution.



DU BOIS
BY STEIN

tral Division, of the National Association of Credit Men.

Mr. Hess has been a practicing attorney at the Illinois Bar for twenty years, and during his incumbency on the Federal prosecuting staff has served under the entire administration of former U. S. Attorney Olson and for almost two years under the present U. S. Attorney, George E. Q. Johnson. As a Federal prose-

that effect, or submit to arbitration an existing dispute, such agreements are valid, irrevocable and enforceable in the same manner as any other agreement.

2. When a party to such an agreement fails, refuses or neglects to proceed with the arbitration, the Court will direct him to do so.
3. When a party brings an action in Court on a dispute arising out of such a contract, the Court will stay the trial until the arbitration has been concluded.
4. In order to expedite the proceedings, arbitrators are empowered to hold hearings, summon witnesses and order the production of books, etc.

5. When a party refuses to comply with or perform an award, the Court is required to enter judgment thereon, unless there is proof of misconduct or bias by the arbitrators or if they have exceeded their authority.
6. The judgment on an award is executed in the same manner as a judgment in an action.
7. The award is final as to the merits of the controversy and the Court cannot review the facts or render a new decision.
8. Quick and decisive action is assured on all applications to the Court, as "motions" are not generally subject to the usual calendar delays.

Exchange of Credit Information

THE adoption of the declaration printed herewith is the first action taken by the N. A. C. M. Board to deal with a difficult problem of credit work, namely the use of the direct inquiry as a medium for the exchange of ledger experience information.

The direct inquiry has been a problem to the credit executive for numerous reasons. With a better knowledge and understanding of the value of ledger information as a guide to constructive credit work has come a continuously greater use of the direct inquiry. As its use has increased it has thrown an ever increasing burden of work on the Credit Department. Some members have used it for automatic revision of credit files. Direct inquiry forms have been supplied to salesmen with instructions that a certain number be used on every new account sold or canvassed. Instances have occurred where direct inquiries have been used in outlining trips for salesmen, etc. Thus the procedure has gone far afield from the purpose for which it was originally intended—the securing of dependable information in unusual instances.

Incomplete

By reason of greater use the direct inquiry has ceased to be a special communication between credit executives. *Rarely is the information given by the inquiring firm complete* and many times it has been found inaccurate and misleading to the point where the interests of the receiving firm were jeopardized.

Knowledge of these facts resulted in the appointment of a committee to study the problem of the direct in-

quiry. Brace Bennett, of the Fox Vliet Drug Company, Wichita, and a director of the National Association of Credit Men, was appointed chairman and the committee was asked to report its findings and recommendations to the Board of Directors.

In beginning its work, the Committee prepared a detailed question-

naire soliciting information on all phases of the procedures involved in the exchange of ledger experience information and particularly solicited experiences with and recommendations for the use of the direct inquiry. This questionnaire was mailed to representative firms in numerous lines, to officials of local Associations of Credit Men and others who were interested in the problem.

As proof of the interest in the subject, there was a unanimous response to the questionnaire. When the in-

formation contained in the replies had been assembled and tabulated, the Committee was called together for the first of its several meetings.

Analyzing the information, the Committee was of the opinion that several factors were involved in the problem. Its analysis of the situation was about as follows:

It was apparent that the present criticism of the direct inquiry was due first to its too general and automatic use and second, to the failure of individual members to recognize properly their responsibilities in the matter of giving information when information was solicited by direct inquiry.

It was learned that many firms were refusing to answer direct inquiries on the ground that the large number received made it prohibitive from the point of time involved and because the information they secured by reason of their replying to direct inquiries was not only of little value but frequently misleading.

Double Demand

It was also learned that frequently criticism was based on a duplication of effort in that many firms using Interchange Bureau service were not only supplying their information to the Interchange Bureaus but were also being called upon to supply identical information on direct inquiries. These firms contended that they should not be expected to reply to direct inquiries as their information was always available through the Interchange Bureaus. An analysis of this problem revealed that in every case where a member was a user of Interchange he would not consider the discontinuation of his Inter-

(Continued on page 34)

N. A. C. M. Board Declaration

THE Officers and the Directors of the National Association of Credit Men, at their meeting of October, 1928, after a thorough investigation into the respective merits of exchanging credit information through the Interchange Bureaus of the National Association and the direct exchange of information between members, and with a view to producing maximum accurate credit information with minimum effort and expense, declare themselves in accord with the following conclusions and ask the co-operation and consideration of the membership at large of the National Association:

1. The present excessive volume and indiscriminate use of Direct Inquiry represents duplication of effort and a burden to credit departments, which have their credit information available through the Interchange Bureaus of the N. A. C. M.
2. The Direct Inquiry should be made only after it is ascertained by contact with the nearest Interchange Bureau that no information is available through that source.
3. When Direct Inquiry is necessary, the form prescribed by the N. A. C. M. should be used. The obligations of the maker and receiver as outlined on this form should be strictly observed.
4. Credit risk cannot be accurately diagnosed from one or two Direct Inquiry replies. Even if the inquirer had as many references as are available through Interchange service, the expense and time of obtaining full information by Direct Inquiry would be excessive as compared to Interchange inquiry.
5. Personal correspondence between interested creditors regarding phases of the account other than ledger experience is proper in supplementing Interchange reports.
6. While certain cases necessitate the Direct Inquiry, Interchange service is the most complete, impartial and accurate source of credit information and will reach its maximum value with the active participation of all credit executives.

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Humanitarian Credits

Credit Subordinated to Human Needs in this Line

By A. T. Rickards

Assistant Treasurer and Comptroller, H. K. Mulford Company, Philadelphia

IN discussing, as the editor of CREDIT MONTHLY has asked me to do, the credit management of the H. K. Mulford Company, I must first of all point out that in a house like this, manufacturing medicinal products, there are considerations which do not come up in a strictly commercial organization. Our products fall into two general classes, (a) pain-relieving and (b) live-saving.

When an order comes to us for pneumonia anti-body or diphtheria anti-toxin or similar preparations, we realize that a life may be at stake, and the emergency demands that the order be filled, even though the account through which it is placed may be delinquent. Human life is more important than the dollars involved, and this consideration must take precedence over every other.

Our entire staff is trained to recognize that one thing comes first in this company—service. Every clerk is impressed with the fact that there must be no mistake or neglect or delay on his or her part which might prevent a doctor's having on hand when he needs it any product of ours vital to the relief of suffering or the salvation of a life. The Credit Department must naturally be organized to meet this humanitarian policy, which, I may say here, is not taken advantage of to any appreciable extent. Our losses are below one-half of one per cent.

Another factor which enters into our credit operations is the volume of our accounts. There are from 50,000 to 75,000 on our books all the time.

To meet this situation requiring speedy service to a vast number of customers, we must have a credit system that is both simple and flexible. Our solution of the problem rests principally upon our central control customers' card file and the active co-operation of our salesmen and the managers of our branches scattered throughout the United States and other parts of the world.

The card file gives us instant reference on accounts, and the branches



"Notwithstanding the time I have given to the Credit Men's Associations, I have got more out of them than I have put into them," says Mr. Rickards.

—there are fifteen of them—with the help of the salesmen, serve as news gathering bureaus when we want special information regarding a customer anywhere in the United States.

So Early in the Morning

That orders may be given immediate attention at the beginning of the working day, mail openers are at work in our private post office, opening and classifying the mail, at six o'clock in the morning. Letters are opened by an electric machine, and then the ends of the envelope slit by hand so that nothing will be left in the envelopes. The contents are run through the dating machine and distributed according to departments.

The assistants in the Credit Department take the orders, sorted geographically, and check them with the customers' card file which is arranged geographically by states and then alphabetically by towns and customer names. There is a card for every customer, containing the name and address and folio number which refers to the ledger. Cards for customers whose accounts are or have been delinquent are marked with a ring around the folio number or are stamped COLLECTION, if the delinquency has gone so far as to occasion an attorney's services. When these signals appear, the corresponding ledger sheets must be referred to and the orders approved by the Credit Department head before shipment can be made.

Seventy-five per cent. of all orders pass the control card file without any investigation and can be filled at once, which does not mean that they receive no attention, for all orders are carefully censored before shipment. *An experience of thirty years has shown me that 90 per cent. of the people engaged in the drug trade are honest and reliable.* This includes druggists, hospitals, physicians, and veterinarians—the classifications to which we sell principally. In other words, we find that only one out of ten of our customers requires watching.

Nine out of ten of these uncertain customers would be honest if they could; that is to say, their delinquencies are due to incompetency, overbuying, or trouble resulting from too liberal extensions of credit by them rather than from any intention of ignoring obligations. In watching these slow accounts carefully, we try to help them as well as to protect ourselves. We try to find out where the trouble is. We scrutinize the orders to see if they are oversized. *Copies of all letters to delinquent customers are sent to the salesmen, who then report to us special information which may reveal the cause of the delinquency.* Sometimes, this policy of watchful waiting calls for a good

deal of patience on our part, but, remember, we are in a business that can not afford to be hard-hearted. And, furthermore, we usually get our money sooner or later.

Hospitals sometimes fall behind, because they are largely dependent upon charitable contributions, but they can not afford to refuse to treat patients on this account, and we can not afford to shut them off. Very few hospitals go into bankruptcy, and when we carry their accounts on our books for months, we do so believing that they will pay us. In the meantime, we keep in close touch with them and ascertain the cause of the delay and their intentions regarding payment.

Since Prohibition

Among druggists, our problem would be very much more complicated if we sold a complete stock line of prepared package goods instead of the regular line of drugs and chemicals. Every one knows that since prohibition has come in, thousands of drug stores have sprung up expecting to make money out of filling liquor prescriptions with perfumes and cosmetics as side-lines and display. With our long experience, it is not very hard to single out these pseudo-drug-stores from the regular, substantial, prescription-filling drug-stores which are our logical customers. Fortunately, the new variety of stores do not very often attempt to buy from us in large quantities or a complete line of drugs.

The average druggist, although running on small capital and not able to show an impressive financial statement, is a good moral risk. This is particularly true in the Latin-American countries where a druggist, in order to transact business, must be an educated man. Anywhere, however, prescription druggists make up a very good class of trade and, on the whole, meet our terms of 2 per cent. ten days, 30 days net.

Our branch managers are authorized to use their discretion in filling orders based upon information they have at hand (commercial agency and salesmen's reports) but everything is controlled from Philadelphia headquarters. All book-keeping is done here in our Accounting Department which keeps over 200 employees busy, and all delinquent accounts are followed from here, daily advices going to the branches regarding customers whose orders must be re-

ferred to the head office before they are filled.

Monthly statements are made up and sent out from the Philadelphia office, but these do not figure in payments, for *the invoice is our medium of collection*. Statements are used, however, to initiate collection follow-up. The statements of all delinquents are segregated and classified according to whether the accounts are thirty, sixty, or ninety days past due.

Collection Letters

Each collection correspondent takes a batch of these statements, goes over each one with the ledger, and then dictates to the dictating machine a collection letter suitable for each group of delinquents. Obviously, with the great number of accounts handled, it would be impossible to dictate a separate letter for each customer, but every letter is individually typed. We have used no printed forms in our collections for years.

No file is kept of accounts only thirty days overdue, but if they are still unpaid when the statements are ready at the beginning of the next month, the correspondent enters them in the tickler file and follows them up twice a month.

All statements of over \$200 pass over my desk, and I make use of these not only to follow the trend of our business but also to keep in contact with the correspondents and to discuss with them the wisdom of the collection letters they are sending to various debtors.

Owing to the volume and nature of our accounts, some of which may run as low as \$2 or \$5 a month, we do not attempt to keep a credit file on every customer. There is a file for all questionable accounts and for all those which run \$1,000 a year or over. We are governed somewhat by the theory that the greater the number of accounts and the smaller the possible unit of sale, the greater the division of possible loss, and hence the wiser the risks that can be taken.

One reason for the comparatively small losses that we have in business selling 4,000 different items to thousands of customers, large and small, all over the world, may be found in the close co-operation which exists among the Sales, Accounting, and Credit Departments. The division managers meet regularly for confer-

ences and work together with uniformity of interest.

Every contract made by the Sales Department with a customer, calling for purchases of a certain volume for the year to be paid for by monthly trade acceptances, passes over my desk. Some of these contracts I limit, others I turn down, but the decisions are made in consultation with the Sales Manager and not in opposition to him, for I am as much interested in sales as he is.

Not long ago in conversation with a friend, I said that I thought my credit work was based largely upon intuition developed from long experience. He reminded me that intuition is often a name for being well posted on a matter in question, and then I concluded that it would be more correct to say that experience teaches one to make use of all available and useful information.

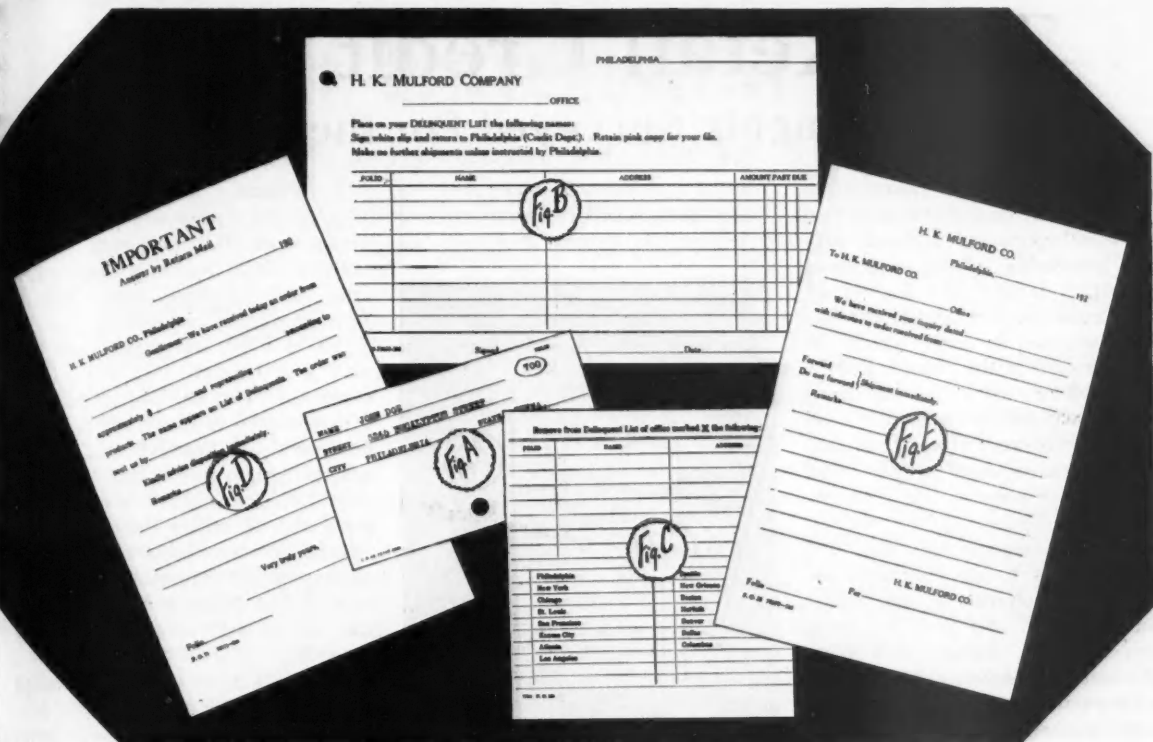
Information

It is true that I make use of agency, salesmen's, and branch manager reports, and also the Association's Credit Interchange Bureau which is most valuable as a check-up. In the foreign field, we have the banks, the salesmen who have to be more or less credit men themselves, and the Foreign Interchange Bureau of the National Association of Credit Men which is always helpful.

But even using all these tools is not enough. *The Credit Manager must never stop reading and studying*. If he does, he will, like a surgeon or physician, become out-dated. I look over all the publications of the National Association of Credit Men and those of our local Association that come to my desk. Another type of literature which I find very helpful is that issued by banks. The bank pamphlets which I receive give me an idea of the financial situation in various sections of the country, and I pick out from them whatever is interesting in connection with our business. All the letters from our salesmen that have any bearing on credit matters are turned over to me, and I read these very intently.

Personal Contacts

Perhaps, it is because of my own experience that I feel the greatest schooling a credit manager, or any man in business, can get comes from contact with other people. I grew up in the country without having the opportunity of attending other than



the rural, ungraded schools in that section of Delaware. I consider that the best part of my education has been what I have learned from association with other men in business. While I have been active in both the Philadelphia and the National Credit Men's Association, I have got far more out of them than I have put into them. I have benefited, too, by attending meetings and conventions of our trade associations.

It is a policy of our department to be represented at every meeting of the Credit Men's Association, and the assistants all attend from time to time. The growth of the individual, as well as of business as a whole, depends upon the knowledge and inspiration that result from an interchange of ideas and information. This kind of education is open to every credit manager, and he will do well to take advantage of it.

Description of Forms

The author of the foregoing article is a former director of the National Association of Credit Men, a former vice-president and president and now a member of the Executive Committee of the Philadelphia Association of Credit Men.

The forms used by his company,—five of them reproduced on this page,—are described as follows:

1. CUSTOMER'S ACCOUNT CARDS (3 x 5 in.).—These cards are filed geographi-

cally State first, town next and alphabetically under the town. The name and address are given and in the upper right hand corner the folio or account number on the ledger sheet, these ledger sheets being filed numerically under States in binders. If a card (Fig. A) has a circle in pencil around the folio, the account must be watched closely and every order is referred directly to the ledger account before shipping. This circle is placed on the card when the account gets in a delinquent condition. If the card shows not only the circle but a rubber stamp "COLL. DEPT.", this indicates the account has not only been in a delinquent condition but has reached a point where collection methods, probably through an attorney, have been used. If the card shows no symbols or notations, the account is in good standing.

2. LEDGER SHEET.—The blue star, $\frac{3}{8}$ in. wide is rubber stamped on the ledger account when it reaches the delinquent state, and a pencilled date next to the star indicates that the branch house has been notified of the delinquent condition.

The "COLL. DEPT." stamp is placed on the sheet when the account has passed from a delinquent state to that of very much past due account where collection methods have to be used. At the time the ledger sheet is stamped "COLL. DEPT." the collection letters are taken care of by a special division in the collection department where a docket is kept and all correspondence and information kept therein.

3. DELINQUENT ADVISE.—(Fig. B). This form (6 x 9 in. wide) is used to advise the branch houses of the delinquent condition of accounts. It is made up in triplicate, the triplicate copy being retained by the main office, Philadelphia; the white and pink copies forwarded to the branch. The branch retains the pink copy and signs and returns the white copy to Philadelphia.

4. RESTORE DELINQUENT FORM (9 x 6 in. wide).—This is used to instruct the branches to remove the name from the delinquent list and is an indication to them that they can continue to ship orders in the

usual way without referring to Philadelphia. This is made up in triplicate, one copy being retained in Philadelphia and the white and pink copies being forwarded to the branch who keep the pink copy and sign and return the white copy to Philadelphia.

5. BOOKKEEPER'S DELINQUENT MEMO (5 x $5\frac{1}{2}$ in.).—This form (Fig. C) is used by the bookkeeper as he goes over the accounts checking up the remittances received and makes a list of the names and addresses of customers whose accounts are to be removed from the delinquent list and the branches which are to be notified. It sometimes occurs that the name will be on the delinquent list of more than one branch. The names of the branches are printed on this list and the bookkeeper indicates which one of the branches is to be notified of removal. He gathers this information from the ledger sheet which shows which branch is handling the account.

6. BRANCH REQUEST ON DELINQUENT (5½ x 8½ in.).—This form (Fig. D) is used by the branch when the account is on the delinquent list and it is necessary to refer an order to Philadelphia. The branch makes it in duplicate, retaining one copy for its files.

7. REPLY TO BRANCH REQUEST (5½ x 8½ in.).—This form (Fig. E) is used by the main office in replying to a request from the branch regarding the advisability of shipping an order for an account that is on the delinquent list.

8. NOTIFICATION OF SALESMAN (6½ x 5½ in.).—This form is used to advise salesmen of the delinquent condition of an account in order that he may assist in collecting. It reads as follows:

"Mr. ———,
"Dear Sir:—We have placed the following on the DELINQUENT LIST and notified our Branch Office to refer future orders to Philadelphia before shipping.

"Enclosed herewith you will find statement of account, so that you may be familiar with its condition and endeavor to collect on your next visit."

The Retail Credit Field

Being Thoroughly Surveyed For the First Time

"IT is held by those closest to the situation that credit operations are being conducted without sufficient knowledge of the underlying and ruling facts. The leading retailers know the facts about their own operations, and the many credit bureaus throughout the country are doing excellent work in stabilizing credit conditions in their own communities. However, *no systematic study has been made of the retail credit field in general*, and in consequence, the conduct of this business often lacks adequate direction, and conclusions as to its soundness are being made upon mere opinion rather than on facts." So said Dr. Julius Klein, Director, Bureau of Foreign and Domestic Commerce, Department of Commerce, at the last convention of the National Retail Credit Men's Association.

The National Retail Credit Survey being conducted by the Department of Commerce is to have Dr. W. C. Plummer, Economist, of the University of Pennsylvania as its directing head. The announcement has just been made of his being granted one year's leave, by the university, in response to the request of the Department of Commerce. Dr. Plummer's interest in credit matters and especially instalment selling is said to have caused him to accept the Government post.

"We consider Dr. Plummer", said Mr. Gorton James, Chief, Domestic Commerce Division of the Department of Commerce, in requesting the loan of the professor's services to the Government, "one of the best in-

formed authorities on retail credit in this country. His research activities have fitted him to make this study and



DR. W. C. PLUMMER

it is the desire of the Department of Commerce to draw from business and professions the best qualified authorities to conduct its inquiries."

Dr. Plummer, a member of the faculty of the University of Pennsylvania, since 1921, was born in Hagerstown, Md., was educated at Lebanon Valley College, from which he was graduated with the degree of A. B. in 1910, and then at the University of Pennsylvania where he received his Ph. D. Degree in 1924. He conducted research for the Commonwealth of Pennsylvania in 1925 and the American Academy of Political and Social Sciences, where he was the Simon N. Patten Fellow, in 1926. "Social and Economic Consequences of Buying on the Instalment Plan," one of Dr. Plummer's publications, was written as a result of this latter research.

The retail credit survey is designed to secure the underlying facts relative to credit operation so as to arrive at the best methods of procedure for stabilizing credit conditions. It is hoped that the systematized study of the retail credit field will enable opinions on credit matters to be based on facts instead of mere opinions as has been the practice in the past and will eventually eliminate much of the estimated billion dollar annual loss, accredited to these practices.

The survey which is nation-wide is being made by the Department of Commerce at the request of the National Retail Credit Association, St. Louis, and with its co-operation. The president of the Association, James R. Hewitt, The Hub, Baltimore, and its manager-treasurer, David J. Woodlock, are to be congratulated on the project, which will result in a genuine service to the world of credit.

What Will Make 1929 Another Banner Year?

An answer to this question that is in every credit executive's mind will be found in the January Credit Monthly in an exclusive interview given to Chester H. McCall by Lewis E. Pierson, Chairman of the Board, American Exchange Irving Trust Company, New York.

Credit Extension Today

Virtually Universal Factor in All Business

By E. H. H. Simmons

President, New York Stock Exchange

In a recent address to the New York Credit Men's Association, Mr. Simmons said:

THE securities market naturally has a very genuine interest in the problems in which credit managers specialize. In large measure, also, the New York Stock Exchange is, in its field, trying to bring about that increased safety and certainty in the employment of credit which, in the last analysis, is the aim of credit managers also.

Today the extension of credit is virtually a universal factor in all business. In some respects, indeed, credit may be termed the common denominator of modern business. The sensitive, yet powerful, effects of credit control may be seen throughout our entire business structure, whether as a stimulant for the expansion of business, or as a brake upon an expansion which has become dangerous and unsound. Because of this great importance of credit problems today, it is becoming more and more necessary that the analysis and judgment of credit be made expertly. The immediate aim of such work is, of course, to assure the safety and certainty of money lenders and others in extending credit, yet the methods of credit control which the organized credit men advocate and employ have also, in the aggregate, a most important effect upon our entire national economy. It has always seemed to me a most encouraging sign for the future that credit men are rapidly coming to constitute a new profession. Even more in the future than at present, one of the most important elements in all modern industry, commerce and finance is being committed to their hands, and much will depend upon the ability and initiative with

which they will continue to cope with the many difficult problems which this most important work of assaying and determining credit constantly raises.

As superior methods of handling and extending credit are attained, one important effect of this development is to standardize and render more impersonal the employment of credit. Credit work in its most primitive stages must deal with men rather than principles. But as the soundness of handling credit is developed, purely personal considerations in the employment of credit tend more and more to vanish, making the situation in regard to credit not only safer but more democratic. When the tendency of all trade to centralize is borne in mind, this is a reassuring thought.

In the New York Stock Exchange we have had in recent years an experience of just this sort. In 1922 the New York Stock Exchange inaugurated the practice of requiring its member firms which carried public accounts to submit to the Exchange at least twice a year, and oftener when and if demanded, a full statement of their financial condition. This was at the time considered both a radical and a drastic step, for no stock exchange had ever established

any such system of centralized control before.

This so-called "questionnaire system," however, has turned out to be a very great success, and today no one in the Stock Exchange would think of abandoning it. One striking result of the closer surveillance of the financial condition of Stock Exchange houses which the new plan has provided, has been the marked curtailment of suspensions of members of the Stock Exchange for insolvency.

Since 1922, insolvencies of New York Stock Exchange members have fallen to very low figures indeed, despite the continuing high levels of commercial insolvencies and the increases in banking insolvencies. In 1926 not a single member of the New York Stock Exchange was suspended for insolvency, and during 1927—the last calendar year—only one member of the Exchange was suspended for this cause. During 1927 the percentage rate of insolvencies for Stock Exchange members was about one-sixteenth that of all American banks, about one-fifteenth that of our national banks, and about one-twelfth that of American commercial firms.

I mention this record, of which we in the Stock Exchange are naturally very proud, in order to illustrate the fact that the administration of the New York Stock Exchange has itself been doing some rather effective work in the field of credit during the last few years. And this marked reduction of Stock Exchange insolvencies has had among us the further effect of equalizing the status of different Stock Exchange firms and making for an increasingly standardized employment of credit among them.



A glimpse of the N. Y. Stock Exchange floor on a busy day.

Such methods of credit control, which of course have their parallels in many other fields of American business, raise the plane upon which all American business is done, and by so doing, increase not only the safety but also the democratic character of American business itself.

The methods whereby credit is employed in American business are today being revolutionized. In the United States, we are going through a silent yet very far-reaching revolution in business—a revolution which relates not only to our methods of mass production and mass distribution of goods, but also in the field of finance to the methods whereby credit is extended to business. This change has come upon us so silently and yet so rapidly, that most of us today are still quite bewildered by it.

With so complex a matter, it is exceedingly difficult to reduce this whole economic revolution through which American business is today proceeding, to any single formula. Nevertheless, it has seemed to me that one very important factor in the whole matter arose from our having become a creditor nation, and in consequence our having to deal with a surplus of capital and credit instead of the situation to which we had been so long accustomed, under which capital and credit were never available in really sufficient amounts to satisfy the vast needs of American business.

Old Fashioned Paper Has Disappeared

One surprising change in the present methods of employing credit has been the almost complete disappearance of old-fashioned prime commercial paper, and at the same time the continual increase in loans made upon security collateral, not merely in Wall Street, but throughout the country. Some keen students of commercial and financial affairs have pointed out that this situation was arising from the great corporate surpluses which American business companies today have so frequently been able to accumulate.

Also, many of our largest and soundest business corporations in this country have financed themselves quite extensively by the issuance of new securities. As a result, they are now in a position where they no longer need to borrow at the banks in the same way as heretofore, but

can finance out of their own liquid resources, such seasonal requirements of their business as occur. Meanwhile, it is a common practice for such companies to lend their liquid funds for which they have no immediate requirements in their business, in the call loan market. Brokers' loans have in consequence expanded, not only because of these greater offerings of money to lend there, but also because of the greater floating supply of shares which the stock market has had to sustain by reason of this development.

Concerning the soundness or the permanence of this new trend in our New York money market, opinions seem to differ very widely. Speaking from my own standpoint, however, I am not inclined to look upon it as any merely temporary situation, arising from temporarily cheap money rates in the past or in other such rather casual factors. The roots of this latest change in the employment of credit actually go back very far.

The use of credit has successively advanced from financing the individual to financing the partnership, from financing the partnership to financing the small corporation, and finally from financing the small corporation to financing the great corporate merger or holding company of our own times. However this may be, it seems at any rate obvious that we must more and more accustom ourselves to a financing of business turnover in this country through the use of brokers' loans instead of through commercial paper or unsecured banking advances.

It still remains to be seen whether this innovation in the financing of business through brokers' loans is as sound and as desirable a system as the earlier methods which today it seems to be to some extent supplanting.

On this phase of the matter it is still too early to draw definite conclusions. I cannot myself believe that American business is worse off when it has adequate credit and capital than when it is inadequately provided in these important respects. Yet under the new conditions, we must all see to it that the extension of credit is judged no less carefully than it has been in the past. However the technical conditions under which money is loaned may be changing, the fundamental necessity of avoiding unsound extensions of credit will of course remain.

Healthy Publicity

It is impossible to review in any general way the employment of credit in modern American business, without acknowledging the vast services which the Federal Reserve system has rendered. American finance no less than American manufacturing and trade has greatly benefitted by the increasingly scientific handling of our national credit problems which the Federal Reserve authorities have been able to inaugurate. The New York Stock Exchange has always co-operated as fully as possible with Federal Reserve authorities in their constant endeavor to stabilize and improve credit conditions in this country.

This co-operation has in recent years been witnessed principally in the endeavor which the Reserve system and the Stock Exchange have both made, to collect and make public statistics as to "brokers' loans." The public today, as a result of this effort, has available more real information concerning this class of loans than almost any other in which American banks extensively invest. It goes without saying that the formulation of sound banking and credit policies must always be dependent upon accurate and full statistics, without which it is apt either to cling blindly to mere formulas and dogmas, or else degenerate into haphazard and sometimes harmful experimentation. Our whole handling of banking credits would, I am sure, be much safer and more scientific today if as much publicity were accorded all classes of banking loans as are regularly furnished for brokers' loans.

Still in Jail

"RUINED BY CREDIT" is the heading of a despatch in the Philadelphia News telling the pathetic story of the bootlegger of a far western town who has announced that personal charge accounts will be discontinued hereafter.

Lacking \$500 bail, he was placed in jail, where, according to the story, he could not collect on the accounts to pay the fine. He turned over his books to the police, hoping they would be able to collect. They kept the books, however, and he is still in jail without his account books, ready cash or friends.

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Answers to Credit Questions

National Association of Credit Men

One Park Avenue, New York

Conditional Sales and Bailments

Q (a) Will the Pennsylvania Courts recognize the validity of a conditional sale contract between a buyer in Pennsylvania and a seller in Massachusetts where the contract stipulates that it is to be governed by the law of Massachusetts?

(b) Is it necessary that a bailment or lease be filed in Pennsylvania in order to hold title against third parties; what advantage, if any, has a bailment or lease over a conditional sales contract in Pennsylvania?

(c) Will you please furnish the names of the States which recognize bailment or lease contracts as well as conditional sales?

A. (a) It is proper and not unusual that parties to a contract agree as to the law of any state governing the interpretation of the contract. Such provisions have been uniformly held binding upon the parties. However, the provisions of the Pennsylvania laws with respect to filing such contracts would have to be complied with as a protection against third parties.

(b) When the uniform Conditional Sales Act was enacted in Pennsylvania, bailment and lease contracts were expressly excluded and such contracts do not have to be filed.

As to what advantage, if any, a bailment or lease has over a conditional sales contract in Pennsylvania, we see no advantage except that a bailment or lease contract does not have to be filed or recorded and consequently the seller is relieved of the annoyance and expense of attending to the detail of filing and seeing that the contract is kept alive.

(c) In practically every jurisdiction a lease of personal property where the rent to be paid is substantially equal to the value of the property and which contains a provision permitting the lessee to acquire title to the property after the payment of the last instalment of rent without further payment or by a nominal additional payment, is held to be a contract of conditional sale and within the filing and recording laws, but where the property is actually leased or bailed in good faith, such leases or bailments are sustained everywhere.

As To Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

—E. P. P.

The Uniform Conditional Sales Act contains an express provision that a lease of the class first mentioned is a contract of conditional sale.

Bulk Sales

Q. Can any trust created for the payment of creditors named in an affidavit arising out of a Bulk Sale in Pennsylvania be diverted to a general fund of seller's estate in case of death and thereby allow all creditors named and not named in the affidavit to participate pro-rata in the decedent's estate?

A. The Bulk Sales Law of Pennsylvania makes it the duty of the purchaser to pay or see to it that the purchase price is applied to the payment of the bona fide claims of the creditors of the seller pro-rata according to the dignity of their several claims as shown upon the verified statement which is to be furnished by the seller to the buyer ten (10) days before the sale.

The law in effect constitutes the purchase price of the stock of merchandise which is transferred, a trust fund for the payment of the debts of the seller as the same existed on the day of the date of the transfer.

If the purchaser is unable for any reason to make the distribution, in accordance with the foregoing provisions, it is his duty to pay the money into the Court of Common Pleas in the County in which the place of business of the seller is situated.

There is no provision in the statute for the payment of the money by the purchaser to a trustee for distribution to the creditors of the seller. Any such trustee would, in our opinion, be merely an agent of the purchaser, and the purchaser would remain liable for distribution exactly in accordance with the terms of the statute. The purchaser, through his trustee, in the instance now under consideration, instead of paying the money to the creditors of the seller as required by the statute, paid the same to the executor or administrator of the seller and the moneys were thereafter divided pro-rata among a number of creditors in addition to those who, under the statute, were entitled to share in the fund.

Having taken the law into his own hands and paid the fund in violation of the express directions of the statute, it would be our opinion that the buyer could be held liable to the creditors of the seller for the value of the property which came into his hands.

If, however, the purchaser had notice of the fact that a number of creditors of the seller were not included in the list furnished to him while the money was still in the hands of the trustee, it is probable that the courts would hold that the purchase price constituted a trust fund for all creditors, whether the same were included in the list or not.

See *In Re Thompson* 242 Fed. 602 interpreting the Bulk Sales Law of Washington.

Negotiable Instruments

Q. Can the holder, in due course of a note, recover from the maker thereof where the endorser, from whom the holder received the note, has become bankrupt?

A. Under Section 51 of the Uniform Negotiable Instrument Act, the holder of a negotiable instrument may maintain either a joint or several action against the maker and endorser. The maker is absolutely liable upon the note to the holder and upon being sued thereon by the holder, must pay the proceeds thereof to the holder, and not to the receiver in bankruptcy of the endorser.

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Liabilities including capital	16,344,841
Net Surplus	6,798,259
Surplus to Policyholders	11,798,259

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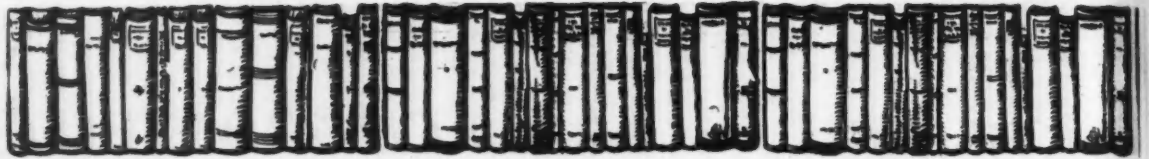
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The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

A Federal Reserve Primer

THE A B C OF THE FEDERAL RESERVE SYSTEM. Edwin Walter Kemmerer. Princeton University Press. 1928. 211 pp. \$2.00.

Frequent revisions since its original publication in 1918 testify to the popularity of this standard text on the Federal Reserve System, written by one of the foremost financial authorities of the United States, whose services as adviser have been in demand by a number of foreign governments.

This seventh edition consists of about 100 pages of text, and Appendices running to another hundred. The latter include a combined balance sheet of the twelve Federal Reserve banks, as of May 5, 1926; the Federal Reserve Act, approved December 23, 1913, with subsequent amendments; the provisions of the Farm Loan Act, approved July 17, 1916; Section 7 of the Act of April 24, 1917; and the "Pittman Act" of April 23, 1918.

Dr. Kemmerer's objective is to set forth in non-technical language the chief reasons why the Federal Reserve System was called into being, the main features of its organization, and how it works. The System, says the author, is looked upon by the majority of people as too technical and complicated a matter to be understood by persons other than bankers and economists. But it can be described in simple language, and Dr. Kemmerer proceeds to do so with results that are entirely satisfactory to the lay reader.

After an introductory chapter, the author outlines the characteristics of American banking prior to the establishment of the Federal Reserve. The banks lacked organization and effective leadership. The reserves were immobile, and widely scattered. Bank credit was inelastic. The exchange and transfer system was defective. Large domestic shipments of currency were required, and there were many difficulties in connection with foreign exchange. The government depository system also had serious defects.

To remedy these weaknesses the Federal Reserve System was created by the law

of December 13, 1913, and Federal Reserve banks opened their doors for business on November 16, 1914. Since the latter date the System has developed rapidly under the management of administrative boards and under the influence of a number of amendments to the organic law. The chief defects of the former system have been eradicated and business has been stabilized to such a degree that manufacturers and distributors no longer tremble at the words "business cycle."

In his report of 1918 the Secretary of the Treasury said: "Much of the great work has been done by the Federal Reserve banks. The System has been of incalculable value during this period of war financing on the most extensive scale ever undertaken by any nation in the history of the world. It would have been impossible to carry through these unprecedented financial operations under our old banking system. Great credit is due the Federal Reserve banks for their broad grasp of the situation and their intelligent, comprehensive co-operation."

One shudders, Dr. Kemmerer concludes, when he thinks what might have happened if the war had found us with our former decentralized and antiquated banking system. Think of pouring the crisis of 1914-17 into bottles that broke with the crisis of 1907!

Hardest to Get

THE FIRST THOUSAND DOLLARS, AND OTHER ESSAYS. Richard W. Saunders. Bankers Publishing Co., N. Y. 1928. 168 pp. \$1.00.

The thirty brief but vigorous business essays which have been assembled in this volume were written during the last six years by Richard W. Saunders, Comptroller of the Paramount Famous Lasky Corporation and formerly cashier of the National Bank of Commerce of New York. They were published originally in The Bankers Magazine.

The banker as philosopher is not an entirely new phenomenon, but most of the writing bankers we have encountered re-

cently have had a real message, and Mr. Saunders is no exception to the rule. Contacts between the banker and the public are, as Mr. Saunders says, continual and vital. But partly through the harsh attitude of certain bankers, partly through the manner in which they are portrayed on the stage and screen, and partly through misconceptions on the part of the public, there has grown up a legend of the banker's habitual coldness and harshness of heart. Mr. Saunders' book attempts to break down this feeling and substitute an attitude of co-operation and mutual respect.

One has, it appears, to go back to antiquity for the origin of the frequently quoted saying about the first thousand dollars being the hardest to get. Among the ancient Greeks, when one was asked how he achieved his wealth he answered: "My large fortune easily but my first money only by arduous toil." This is the idea behind Mr. Saunders' first essay, which gives title to the volume.

He then proceeds to discuss such topics as the banker in literature, the dangers of becoming a surety, the problems of saving and keeping, the meaning of "value received," debt and its punishment, borrowing, the banker and romance, and the relation of money to wasted lives.

Topics subsequently dealt with include "The Banker and Morals," "Business and Friendship," "The Battle of Business," "Bubbles, Past and Present," "The Power of Small Things," "Playing the Game," and "Bread and Butter."

In the concluding essay, "The Value of a Promise," Mr. Saunders says: "Fortunately for mankind, most men keep their word. But for this, business would be almost impossible. No matter what collateral is taken or devices made to insure the word being kept, the actual reliance is upon the integrity of the promisor. Should there be a breach, he may suffer severe penalties, even to bankruptcy. But one of the chief penalties is through the impairment or destruction of his credit. His acquaintances soon know his failing and refuse to accept his word."

To any business man who has to indulge occasionally in public speaking, this little book, with its anecdotes, its pertinent quotations from many writers, and its wholesome outlook on business and on life, is a valuable tool to have in the briefcase or the Gladstone bag.

Mr. Saunders contributed an article, "The Movies' Business Side," to the September issue of the CREDIT MONTHLY.

The Daily Ten Minutes

KEEPING FIT BY EASY EXERCISES. Major George T. Everett. Ronald Press Co., N. Y. 1928. 100 pp. \$2.00.

Credit managers who do not get enough physical stirring up in chasing delinquent debtors will find in this little manual 54 exercises which, without apparatus, will be beneficial to every muscle in the body.

They will find also Major Everett's twenty rules of health, with explanatory comment. Without the comments, the rules are as follows:

1. Have a complete examination by a competent physician at least once a year.
2. Have a complete dental examination at least every six months.
3. When you feel ill or out of sorts, consult your physician.
4. Use drugs only upon a physician's direction.
5. Keep away from sick people.
- 6-8. See that the wastes of the body are regularly disposed of and that the skin is kept clean.
9. Breathe lots of pure, fresh air.
10. Drink lots of water.
11. Eat regularly, moderately and slowly of a properly balanced diet.
12. Sleep at regular times for 7 or 8 hours daily.
13. Avoid the bites of insects and vermin.
14. Keep flies away from food.
15. Wear clothing suitable for the climate and occupation.
16. Get vaccinated against smallpox, and inoculated against typhoid and paratyphoid fevers.
17. Avoid excess in eating, drinking, smoking, and even in exercising.
18. Keep clean personally and as to surroundings—physically, mentally and morally.
19. Take lots of exercise suitable to your age and physical condition.
20. Do not worry.

Rule 20 is doubtless the hardest of all for the credit manager to follow, but systematic physical exercise will certainly help to keep the brain clear and the outlook as cheerful as possible under the circumstances.

For the man who is not as young as he used to be, Major Everett has this message: "Don't let anyone convince you that because you are forty it is dangerous for you to do anything strenuous. If it is dangerous, it is not because you are forty, but because you are unfit. The soldiers in the army range all the way from eighteen to sixty-four. They all take the

same strenuous drills without favor and without harm. The best marathon runners are all over forty."

For the heavy-bodied individual who loves his food, says the Major; for the skinny anaemic afraid to eat; for the man condemned to a sedentary life; for the man who enjoys eating and fears it; for

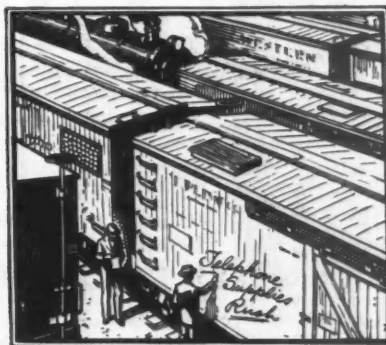
the man who loses the satisfaction of a drink or smoke in the anticipation of harm; for the man too busy to play golf; for the man over thirty who wants to enjoy the pleasures of life and enjoy them long,—for such there is hope. They may yet, by means of systematic exercises, feel fit enough to lick Gene Tunney.

Adequate

WITH considerable pride the mayor of the Swiss village, Hohenspitzenbergen, showed an American Credit Manager the equipment of the village for fighting fire. This consisted of a chemical engine about the size of a flour barrel, mounted on 4 rubber-tired wheels and with a shaft to be grasped by the village firemen when it became necessary to "run with the old machine."

As the population of the village was 250 souls, and every building was made of wood, the visiting American mildly suggested that the equipment was inadequate. The mayor's reply, however, left the visitor speechless and reminded him that in his own country about half a billion dollars is destroyed annually by avoidable fires. The mayor said: "But, sir, our people are careful. We have no fires except those caused by lightning."

A million dollars a day of new plant



TRAIN-LOADS of telephone supplies move out across the country every day. The plant investment in the Bell System is now more than \$3,250,000,000. It is planned to spend \$2,000,000,000 more in the next five years for new construction and replacements.

Basic facts on American Telephone and Telegraph Co. as an investment

With its predecessors, the American Telephone and Telegraph Company

has paid dividends regularly for forty-eight years. Its earnings assure an ample margin of safety above dividend requirements. Its stock is held by more than 430,000 investors. It is constantly seeking to bring the nation's telephone service nearer to perfection. It owns more than 93% of the combined common stocks of the operating companies of the Bell System which furnishes an indispensable service to the nation.

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Survival of the Farmer

(Continued from page 8)

the value of his land due to social conditions. The communities became settled and land values advanced as a consequence. Now when deflation comes along, unlike industry the farmer will not or cannot adjust himself. The bankruptcies of industry record a half billion of liabilities each year. Farmers, however, cannot or do not clean their slates and begin all over again as does the business man who fails.

Survival of the Fittest

It is an exceedingly unpopular thing to say that the farmer is face to face with the law of the survival of the fittest, but that is exactly his situation. The depression in agriculture has its exceptions. It isn't all black. The dairy farmers through all of these years of farm depression have continued to make money, and grain farmers have made money when they have gone about farming in a scientific manner.

It is time that business men speak frankly and courageously on the political buncombe handed out on the subject of the farmer. If the farmer wants legislation, let him ask for an appropriation for research and a larger appropriation for educational facilities to train his young boys in industrial work, for therein lies the future of most of the farmers' children. If all farming were handled upon a scientific and efficient basis today, one-half of the farm population would be unnecessary. Business men should not let the farmer get the erroneous idea that the problem is singular to him, for revolution is abroad in the industrial world today as in agriculture. Two out of five corporations making income tax returns during the six-year period from 1920 to 1925 reported no net earnings whatsoever, and in this same report for every 100 dollars made by a successful corporation \$32 was lost by an unsuccessful corporation.

Farm population will continue to decrease, and a solution of the farm problem will never come about merely through legislation. The law of supply and demand, the ruthless but inevitable law of survival of the fittest—these are ever on the job. The era of new competition is bringing about drastic changes in agriculture, and the quicker the farmer recognizes this fact, the more easily will he be able to meet the new conditions.

The Firebug

(Continued from page 10)

had set the Hazleton place half a mile away. Just barely possible, that was all. He might, for instance, have broken into the store and set it from the inside. All right so far, but that wasn't the whole story. From my point of vantage in the hotel, I had timed the fires by the Court House clock. The last three had broken out at intervals of about five minutes after the fire at Hazleton's. If Sam stayed to warn the Hazletons, and spent a few minutes helping them put out the fire under their porch, he wouldn't have had time to set the other fires. Figuring that the person who set the last three fires was the same person who set the others, I concluded definitely that Sam Conroy wasn't the firebug.

Later in the day, when Sam was arrested, he resolutely protested his innocence. He claimed he hadn't left the Hazleton place after reporting the fire there, and Ed Hazleton admitted that Sam had helped him carry water to put it out. However, nobody in the crowd remembered seeing him just before the time the other three fires were discovered. The sheriff made careful inquiries to establish that point. That seemed to carry conviction with the townsfolk, who were inclined to suspect Sam anyway.

The village talkers, on the street corners, were certain that the fires ought to serve as a lesson. Parker's lunction needed a new fire truck and better hose connections on Main Street. There had been a meeting on the subject in Town Hall only a couple of weeks before.

"Sorenson certainly knew what he was talking about at the meeting," one of the speakers said. "He'll have the satisfaction of knowing he was right, even if he is wiped out, poor feller. All the merchants agreed that the town was taking a dangerous risk and losing money on its insurance rates by not having better fire fighting equipment. Sorenson got up and made a speech about the risk we were all running, and read a clipping about one of them py-ro-maniacs out of a New York paper. He said that he was adding a big line of radio equipment to the old furniture stock, and that he'd have to charge more for the radios if he covered the stock with insurance at these high rates. He promised to donate a radio set to the raffle to be

held for the benefit of the Volunteer Fire Company."

I made another visit to the sheriff, and learned that Sorenson hadn't taken out his new insurance on his radio stock. He was waiting, the sheriff said, until the lower rate went into effect, and was wiped out. An examination of the ruins showed plainly that dozens of radio sets had been burned. That seemed to eliminate Sorenson, the only person who might possibly have had a motive for setting any of the fires. I was forced to agree with the townsfolk that a firebug was to blame, but I didn't believe the firebug was Sam Conroy. For me the mystery deepened: Who was the dark figure that Sam had seen crouching beside Ed Hazleton's house?

My confidence in the innocence of Sam Conroy was strengthened when the noon train rolled into Parker's Junction. The first passenger to get off was the hunter whom Sam had expected to meet the night before. I picked him out at once by his dress, and the fact that he carried a shotgun in a leather scabbard. Just as a feeler, I asked him politely if he were looking for someone.

"I rather thought Sam Conroy might meet me, though I disappointed him last night," said the stranger. "Guess I'll have to find somebody to take me out to his cabin."

Then I told him about Sam's arrest, and suggested that he come with me to the hotel. The stranger was troubled, and refused to believe that Sam had anything to do with the fires.

"I've been coming up here to hunt with Sam every fall for years," he said. "You get to know a man pretty well sitting around a fire with him at night, or tramping over the hills. Sam's a lazy, easy-going sort, likes to hunt and fish and won't do any steady work, but there's no harm in him. And he makes the best buck-wheat cakes I ever ate."

On the way to the hotel, I learned that the stranger's name was Knight, and that he was credit manager for a radio firm. We got on fine after I told him I was connected with the National Association of Credit Men. We found we had some mutual acquaintances and a lot of interests in common, but the chief thing we talked about was the possibility of clearing Sam Conroy of the unjust charge of arson.

(Continued on page 29)

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From the Ground Up

By J. H. Tregoe

Professor of Finance, College of Commerce and Business Administration, University of Southern California
Former Executive Manager, National Association of Credit Men



IN these high-speed days, nearly everyone is fascinated by human success. Too frequently attention has focused on the ultimate success, rather than on the laborious steps by which it was attained. Even the most prejudiced could not charge the American people with an indifference to the biggest and best things in life, but they can be charged with an all too prevailing desire to acquire these things overnight; to enjoy them but not to work laboriously for them.

The dimensions of success cannot be taken by a financial measuring rod. Its true proportions are found in the satisfaction of having reached an objective. The reaching of an objective can never be accomplished, except by training and from the ground up.

I ran across a story recently which was the inspiration of this article. Seventeen years ago, a lad of nineteen sought and obtained employment in one of the leading establishments of New York City. His equipment, when reporting for work,—aside from his native genius—was a notebook, a pencil and a typewriter. This youth wasn't satisfied to be merely a stenographer. Other things appealed to his ambition. He spent his spare moments looking around the establishment and found rugs absorbingly interesting. He was not satisfied merely to admire the beauty and utility of the rugs, he wanted to know how they were woven. So, many of his evenings were spent at the Public

Library, learning all that he possibly could from books on the art of rug weaving. These book studies were supplemented by a first-hand study of woven rugs. The knowledge, acquired in this self-training,—and we must admit it was from the ground up—didn't long pass unnoticed by his employers. When they discovered how well he knew the weavings and the textures, he was given an opportunity to capitalize this knowledge in the sale of rugs. This experience in salesmanship, with the continuation of his training in fundamentals, led him eventually into the position of assistant manager of the rug department. From this followed an extended trip to the Orient, where he saw rug weaving at first hand; the selection of dyes and all of the art acquired through many generations in the production of rugs. His success, as assistant manager of the department, and the skill developed by his laborious training, led eventually to his selection as a director of the establishment, which he had entered seventeen years before, as a youth, with nothing in the world to offer but some stenographic skill.

Not Exceptional

This story is by no means exceptional, for wherever you find a person, who can justly be labeled successful, then rest assured that back of the success was laborious training from the ground up.

After buffeting around in the waves of business for nearly a half century, knowing how merciless they are at times, I was dismayed to find in my first University contact with students of Commerce, a large number who were apparently congratulating Business that they would soon appear on the field, and that this old world could be swung around by the tail. Removing this false and deceptive idea was my chief pedagogical effort, and no doubt to some it occasioned a very rude awakening. Facts are often bitter to ardent youth, and for that matter, to maturer minds; but this success must not be confused,

misunderstood or misinterpreted, else the disappointments will be tragic.

When we see a railroad president, distinguished in his line and commanding great influence, we may expect, in tracing back his history, to find him on the cab of an engine, shoveling coal into a flaming furnace, but with an eye to the great goal ahead. He has been trained from the ground up and without this training would never have deserved or won his success. Or we see the controlling spirit of an influential corporation. This man has won his spurs. He is the admiration of his fellows—a real success. Examining his history, you will find him in the workshop, handling a machine. His success came from laborious training from the ground up.

Long ago it was discovered that efficiency could not be willed to others, though many parents might well prefer to pass on their efficiency and success, rather than their large fortunes. This matter of success is perfectly individual, and must be acquired by one's own efforts.

One of the forecasting organizations pointed out recently that "the successful, surviving corporations are those which pass the management on by the rule of efficiency rather than by the rule of inheritance. They continually seek new young men of good stock, but of humble parents, who are accustomed to hard work and thrifty habits, with a desire to be of real service." There is a real democracy to success. It may be won by those who desire it hard enough, and are willing to acquire the skill by training that is necessary to reach it.

Within us are the powers to desire, to emulate, to dig and to achieve; but the fuel for these furnaces of the human soul is acquired on the outside, and results from the contacts, the human interchange and the co-operation that are the foundations of civilized society.

It would be audacious, within the scope of this article, to attempt to point out a complete formula for

training. There must be a desire and a concentration of energy, but the fuel necessary to urge these powers into a blaze and to burn away all the difficulties and handicaps, both within and without, depends in a very large measure on the objective and the vocation aspired to. There is one essential element, in training from the ground up. Without it, true success is difficult, if not impossible to attain. It is the contact with those of similar bent, vocation or profession. For we were created dependent largely upon the ideas of others for the fuel on which to feed the flame of our ambition.

Relating this to the management of credits, would it be humanly possible for a novice to create within himself the capacity for true professional work without bringing from the outside the ideas and experiences of those who have preceded him in credit work, who have diligently studied the technique of credit and have discovered its hidden elements. Relying solely upon one's power of self-improvement in this field, as in other fields, will prove disappointing to even the best mind.

Isolation Dangerous

I know of no vocation or profession, where it is easier to indulge a desire for isolation, and to sacrifice nature's training methods, than in the management of credits. Yet isolation in credit management is fatal.

Where invigorating and beneficial contacts are provided, within the borders of a trade, or a vocation, to neglect the opportunity is nothing less than mental astigmatism.

Contacts that will give the greatest benefit must be based on mutual in-

terchange. When contacts are resorted to merely as a source of information, or protection, their value is restricted; but when used to learn and to teach, they become the cornerstone of liberal training for success.

It isn't possible, I believe, to acquire sound theories and the working knowledge of credits to the best advantage without breathing freely the atmosphere of the National Association of Credit Men, the organization that founded the Nation's credit technique, and that has for 32 years dealt with the subject in a broad, constructive and up-lifting manner.

I am absolutely convinced that no manager of a Credit Department, however great his reliance on his native genius, can be a real professional, serving his enterprise and himself with satisfaction and success, without the contact, the opportunity, the inspiration and the fraternalism of his professional organization.

Whenever I have an opportunity to do so, I appeal to those who may aspire to the management of credits, to be very thoughtful as to their opportunities, to fire the spark of ambition for true success, and willingly undergo training from the ground up.



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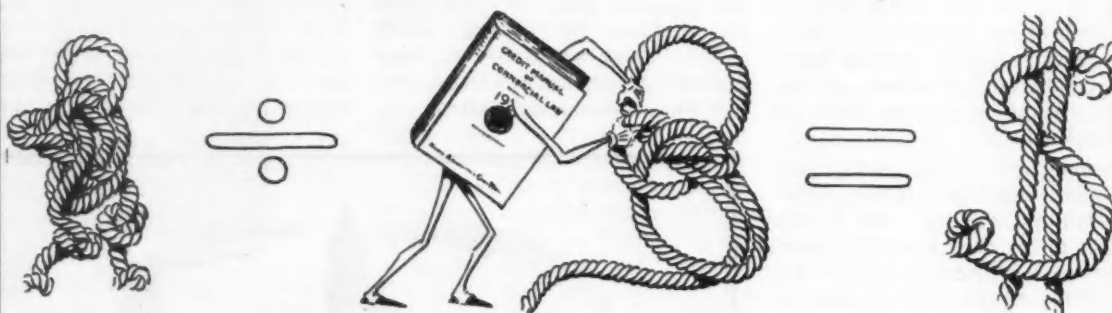
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Firebug of Parker's Junction

(Continued from page 25)

Knight was very much concerned when I told him Sorenson's fire loss wasn't properly covered by insurance, and he went out to see Sorenson about it. It seems that Sorenson handled his line of radio equipment among others, and he had had some correspondence with him about insurance coverage.

While Knight was gone, I strolled out to pick up what additional information I could about the fire. In the same block with Sorenson's place and just two or three doors away I was attracted by a sign in the window of a vacant store building.

**APEX RADIO SHOP WILL
OPEN HERE DEC. 1.**
Give the Family a Radio for
Christmas

The show windows were whitened on the inside so that I couldn't tell what was in the place. I learned that the building had been rented for the new radio shop about a month before, and that the proprietor was already in town, getting ready for the opening. I wondered why anybody had considered opening a second radio store in a town like Parker's Junction at a time when Sorenson's radio business was already established. After a few more inquiries, I decided to call upon the proprietor of the new radio shop, posing as a salesman. It was lucky, as events proved, that I didn't.

It was just a few minutes later that I was strolling down Main Street with the sheriff.

"It's an ill wind," said he, "that blows nobody good. That feller standing over there by the car was just fixin' to open a radio shop in competition with Sorenson's. Now, all of a sudden, he hasn't any competition."

I whistled softly and drew the sheriff into a doorway. The proprietor of the Apex Radio Shop, who fortunately wasn't looking our way, was none other than "J. Balin," recently released from prison in connection with a fake fire bankruptcy case investigated by the N. A. C. M.

"That man," I whispered, "is an ex-convict with a suspended sentence still hanging over his head. I know him from away back. If there was any dirty work going on, he probably had a hand in it."

The sheriff was all for picking up

Balin for questioning, but I persuaded him to hold off until we could do a little more investigating on the quiet. Knowing Balin's record, I felt that he was not above burning Sorenson's store to destroy competition, and setting the other fires to start the firebug theory, but I wasn't overlooking any bets.

The sheriff and I went to the hotel to talk things over, and found Knight there. He wasn't satisfied about Sorenson's failure to take out insurance—said his firm stood to lose money on the business it had done with Sorenson.

"The man is honest enough, ap-

parently," Knight said, "and I am sorry for him. But he took an unnecessary risk on goods that weren't paid for. The merchants here were trying to get a lower insurance rate, and he waited until the rate went through, to take out a new policy, although he agreed to insure before we shipped him the goods. Now the stuff is burned, and my firm is one of those holding the bag."

The three of us talked it over, and decided to start a checkup on all the radio equipment bought by the two stores. That took time, but we weren't afraid of our man escaping.

(Continued on page 33)

The Greater Wastes

The Greater Wastes are the wastes of *mind*, not of *matter*—wastes of mental energy rather than in material things. Fear, doubt, uncertainty, indecision, procrastination are the uncensored robbers in every mental territory. But the greatest mental waster of them all is *worry*.

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Property Damage Legal Liability

By Clarence T. Hubbard

FOLLOWING the explosion of the gas tanks in Pittsburgh last year, the insurance underwriters have been kept busy figuring on propositions to give special protection to property owners in order to safeguard them against credit impairment through legal liability law suits.

Many of the public utilities, for instance, such as illuminating gas companies, have decided that it is essential that they have insurance protection against the possible loss of thousands and millions of dollars which might result in the development of claims from property owners whose property was damaged from any cause due to the gas company or public utility.

There is no ordinary insurance covering such a contingency. Neither is it a form of protection which insurance companies go out to solicit. To meet this situation the underwriters have had to devise special contracts which have been granted more or less in accommodation. Some companies have written the liability reluctantly and others have accepted it open-mindedly in the attitude of a new experiment.

Liability insurance itself, which plays such a big part in protecting credit, is not new, but the demand for this form of insurance by those who are keen to protect their credit, has developed some new problems for the insurance companies.

Some of the public utilities are taking the attitude of private corporations in deciding that they would rather have insurance to fall back on in such a contingency, not only for its protective advantages, but as a means of meeting the situation in a satisfactory manner so that they may retain the good will of their customers. In fact, in one or two of the major explosions which have occurred in this country in connection with

gas plants, the companies have met every claim presented. They realize that to resist these would develop an ill will not favorable to the expansion of their business. The amount of such claims, however, can become out of proportion and force a concern into bankruptcy or impair its credit to an extent that the stockholders might be called upon for additional funds.

Laundries' Credit

Their view of the situation is somewhat comparable to the laundry dealers who throughout the country have combined more or less and insured their plants in such a manner that if a fire or any major catastrophe occurs, the insurance company will meet the claims of the customers presented for the loss of goods. They realize that such claims need to be met, *whether they are legally liable or not*, for if they fail to meet these claims the customers would go elsewhere. To dig down in their own pockets might weaken their capital and assets to such an extent that their credit would be dangerously impaired. Therefore, there is hardly a laundry which does not carry Laundry Bundle Insurance, or Bailees' Customers Insurance, as it is known, by which there is passed over to the insurance company the financial responsibility of the laundry in being legally liable to its customers for the goods entrusted to it.

The gas and electric light company is able, in some instances, to obtain a similar protection from fire insurance companies in a cover known as "Explosion Legal Liability Insurance." Such insurance protects the company up to certain agreed upon limits for all claims arising from any explosions of the company's plant which *damage the property of others*. It has always been possible for public utili-

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ties to obtain explosion insurance along with other fire insurance policies so far as protecting their own property is concerned,—but when protecting themselves against the claims of property owners exposed to their hazards they have had nothing to fall back on.

Such a policy is written in many different ways. In most cases the contract protects the public utility against claims arising from explosions at the main plant in the way of the blowing up of the holders or the gas generating units, or the purifying houses, and also from explosions occurring anywhere in the territory being served from leaks occurring in gas mains or gas pipes, including the explosion of meters in homes.

Some companies will write this form of insurance only covering "to the curbstone," the gas company must assume the liability from the curb into the property itself. Other contracts have been written where the liability has not ceased at the meter, but has continued and assumed any claims resulting from the explosion of "installations" by the gas company, such as heating stoves and other household accessories, not overlooking the gas controlled refrigerators.

No Coinsurance

The insurance underwriter's first protest is that he finds it impossible to apply any coinsurance. He is potentially liable up to the face amount of the policy written and yet the property actually being insured runs into the millions.

There are no standard rates for such insurance: each hazard is measured separately. The age of the pipes, the conditions in the plant, the congestion of the property—these are a few of the factors considered.

The individual property owner in each city should, as a protection to his credit, consider direct simple explosion insurance on his property. In Pittsburgh there was a tremendous property damage caused by the explosion concussion, especially plate glass damage, and very few property owners carried explosion insurance. It is not a common form of insurance such as fire. Any property owner near a gas plant or a gas main can obtain direct explosion insurance so cheaply that it should be considered.

This demand for legal liability insurance has spread considerably dur-

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ing the past year. A large number of retail gasoline filling stations are demanding such protection realizing that if their tanks explode they will be subject to claims not only from surrounding property owners, but from automobile owners whose cars happen to be on the premises at the time, not overlooking trucks. Bankers and commercial credit managers who are financing gasoline companies or gasoline stations should look into this feature for the security of their loans can be wiped out in one second by an explosion. Such explosions have occurred in gasoline stations due to the creation of static electricity, sparks from smoking, the blowing up of air compressors, and the like.

A Town's Requirement

A wholesale gasoline distributing station when recently completed found it impossible to obtain a license from its municipality until it provided the town with an explosion legal liability policy to protect the town from loss in the event the tanks exploded and damaged the town's central power and water pumping station located very near this wholesale oil plant. An insurance company was found to provide the contract after some difficulty, but by so doing another liability gap was covered which in the end strengthened the financial standing of the gas company.

A number of manufacturing plants in which hazardous processes are used, such as paint spraying or varn-

ish making, have arranged for legal liability property damage protection. Dyers and cleaners and other such enterprises have also arranged for this insurance. The Credit Manager with any large amount at stake in any industry where an explosive hazard exists should weigh the importance of protection against the legal liability to others. He should realize that the average property owner does not carry explosion insurance, and that in the event of an explosion the property owner would very likely bring claim against the manufacturer, public utility, filling station, or drug store responsible for the explosion. Or it might be a college laboratory or an automobile gasoline tank car. One explosion and the suits for property damage loss can lead to bankruptcy.

As Credit Managers undoubtedly realize, it has always been possible to obtain public liability insurance, elevator liability, automobile liability, and all other forms of liability covers which protect against claims for "personal injuries." But now enters the element of an equally great danger from the "damage to property." This latter feature until only recently has not been weighed as it should from a credit angle; but such catastrophes as the Pittsburgh gas explosion, the Springfield gas explosion, the blowing up of the Briggs auto plant, the arsenal explosion at Lake Denmark have brought out the need in some cases of blanket legal liability property damage protection.

Benjamin Franklin on Debt in Poor Richard's Almanack

ONE of the first successful business men of this country set down his thoughts on the often painful subject of debt in words that are still worth quoting.

Knowing and practicing the right uses of credit, Benjamin Franklin looked about him and saw many of his fellow Colonials headed straight for Debtors' Prison. For their benefit he wrote, in Poor Richard's Almanack:

"Creditors have better memories than debtors; creditors are a superstitious sect, great observers of set days and times."

"Those have a short Lent who owe money to be paid at Easter."

"Rather go to bed supperless than rise in debt."

Franklin seems to have had no extravagant hopes that Poor Richard's wisdom (more than nine-tenths of which "the gleanings that I had made of the sense of all ages and nations,") would be taken to heart, for he makes "Poor Dick" say,

"We may give advice, but we cannot give conduct."

"Experience keeps a dear school but fools will learn at no other."

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Firebug of Parker's Junction

(Continued from page 29)

The sheriff continued to hold Sam Conroy to keep Balin from getting suspicious.

Our check-up showed that Balin had bought only a few sets, and had paid cash for them. Sorenson had bought a great deal of radio equipment on credit, three or four times what his business seemed to justify, Knight said, and had duly received it at the local freight office. We obtained copies of the invoices. The sheriff was more puzzled over these developments than he had been before, but Knight and I were beginning to see the light.

At our suggestion, the sheriff arrested Balin, and got a warrant to search his store. That search met our fullest expectation. The place was piled high with radio sets and equipment. We found that the goods checked nicely with the invoices of merchandise received by Sorenson. I rather thought, when we had finished, that Balin would talk.

He did. He talked eagerly, volubly, trying to place all the blame on Sorenson. He admitted that he had conspired with Sorenson to get the goods, but denied any connection with the arson scheme.

Balin said that he couldn't get credit, himself, due to circumstances which I knew about. Sorenson, he claimed, was really his silent partner, and intended to discontinue the radio line in the furniture store. Sorenson had done the buying, had received the goods at the local freight office, and had then delivered them to Balin's place of business rather than his own.

None of us swallowed all of that story, but Balin stuck to it. He was loud in his denunciation of Sorenson's double-crossing.

The sheriff, thereupon, went out and arrested Sorenson for arson. Sorenson, as we expected, squealed too. He laid the whole blame for the arson plot to Balin. He told how they had fired the store by leaving candles burning in pans of gasoline. They had timed the candles carefully to learn just how long it would take them to burn. They had set the other fires, hoping to suggest the firebug theory, just when they figured the fire ought to be breaking out in the store. Sorenson admitted that all the new radio equipment had been delivered

to Balin's store. The charred remains found in the fire ruins, he said, were old sets, practically valueless, which had been traded in for new ones.

Well, that just about wound up the mystery. Sam Conroy, who had been wrongly accused, became the hero of the town, because he had saved the Hazleton place from burning. Balin and Sorenson were both convicted of arson, and Balin had to serve the rest of his old sentence that had been suspended.

The vindication of Sam and the arrest of the real criminals caused al-

most as much excitement in Parker's Junction as the fires had caused. Knight and I both enjoyed our part in the big doings, but neither of us got to do a bit of hunting. We're planning to meet up at Sam's cabin next week, though, and make up for it—and eat some of Sam's famous buckwheats.

An unprecedented number of advance orders have been received for the 1929 edition of the Credit Manual of Commercial Laws with Diary. See advertisement, page 28 of this issue.—Adv.

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Exchange of Credit Information

(Continued from page 12)

change membership and rely on direct inquiries. The information he was receiving through the Interchange Bureaus was felt to be essential to the proper carrying on of credit activity.

The Committee concluded that the present difficulty was largely due to the lack of a standard recommended procedure for the exchange of ledger experience information between credit departments. The Committee recognized that there was conflict and

inevitably competition between the direct inquiry and the Interchange Bureaus under existing conditions; and that this conflict was reacting to the disadvantage of credit departments generally in that it frequently made it impossible to secure satisfactory information and contributed to a serious delay in the exchange of information (one of the vital problems of credit information at the present time).

It was recognized that while the Interchange Bureaus could expand indefinitely both in point of members using the service and the service it-

self, and the volume of inquiries received, it would on the contrary be impossible for the present volume of information to be exchanged through the medium of direct inquiries.

The Board of Directors, therefore, in considering the report of the Special Committee, concluded that the Interchange Bureau service should be developed and used by all Credit Departments as the first source of ledger experience information and that the direct inquiry be used only when it had been ascertained that the information desired is not available through the Interchange Bureau service.

Interchange is recommended as a standardized procedure with the direct inquiry acting as a supplement to that service.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, OF CREDIT MONTHLY, published monthly at New York, N. Y., for October 1, 1928.
STATE OF NEW YORK
COUNTY OF NEW YORK, ss.

Before me, a Notary Public in and for the State and County aforesaid, personally appeared Rodman Gilder, who, having been duly sworn according to law, deposes and says that he is the editor of the CREDIT MONTHLY, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor and business managers are: Publisher, National Assn. of Credit Men, 1 Park Avenue, New York City. Editor, Rodman Gilder, 1 Park Avenue, New York City. Managing Editor, None. Business Managers, None.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent. or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) National Association of Credit Men, a non-stock corporation with these officers: Frank D. Rock, Armour & Co., Denver, Colo., President; William Fraser, J. P. Stevens & Co., N. Y., Vice-President; J. H. Seales, Belknap Howard & Mfg. Co., Louisville, Ky., Vice-President; E. D. Rock, Irwin-Hodson Co., Portland, Ore., Vice-President; Stephen L. Miller, One Park Avenue, New York, Executive Manager.

3. That the known bondholders, mortgages, and other security holders owning or holding 1 per cent. or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders, as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

Sworn to and subscribed before me this 13th day of October, 1928.

RODMAN GILDER, Editor.
(Seal) Notary Public, Kings County, Kings Co. Clerk's No. 60. Register's No. 151. Certificate filed in New York County, N. Y. Co. Clerk's No. 662, Register's No. 0-435. My commission expires March 30, 1930.

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Banking and Banks

FORGED CHECKS. BANK'S LIABILITY

Plaintiff is executrix of a small estate, funds of which were deposited in defendant's bank. The pass book was left with the attorney for the estate and each month defendant sent the check vouchers and its statement to the lawyer's office, as is customary when estates are being settled. During the first two or three months plaintiff drew on defendant by check for some necessary payments, after which the account remained dormant, so far as plaintiff was concerned. When it came time for distribution it was discovered that a clerk in the lawyer's office had been forging and cashing checks, purporting to be drawn against the account over a period of some six or seven months. The returned check vouchers and bank slips apparently went into the lawyer's file each month without examination. Defendant offered no proof as to the character of the forgeries. For all that appears, it may be attempting to throw upon plaintiff a loss due to gross carelessness in honoring checks so crudely forged as to furnish no basis for holding that she should have protected it by examining the monthly statements and examining and comparing the returned check vouchers. It has been held: "Where a bank has paid out its depositor's money on forged checks, the bank is liable to the depositor, though the latter failed to examine his account and give the bank prompt notice of the payment of the forged checks in a case where the officials of the bank by the exercise of reasonable care could have detected the forgeries". Held that on this record there is no basis for reducing the verdict as suggested by counsel for defendant. Motions denied. *Lawlor Ex'x, etc. vs. Bankers Trust Co., N. Y. Supreme Ct. N. Y. Co. Trial Term. XI. Decided October 4, 1928.*

INSOLVENCY. PREFERENCE

This court has heretofore held that mere augmentation of assets of a bank to the aggregate amount of collections made, is not enough to entitle the owner of the paper collected to a preference. Held that it is indispensable to a right to a preference that there be a right of property in present assets, in other words, that the proceeds of the collection be traced to a specific fund or into specific property that came into the hands of the Superintendent of Banks. In the case at bar, instead of definitely tracing the proceeds of the collection into the coffers of the bank, the findings clearly show that the proceeds of the collection have been used at the clearing house to pay the debts of the collecting bank. Judgment of preference reversed. *Northwestern National Bk. of Minneapolis, Minn., vs. James Valley Bk. Sup. Ct. S. D. Decided September 29, 1928.*

INSOLVENCY. PREFERENCE

Where a bank, before its insolvency, had received a fund in trust and commingled it with its own money, held that after such fact is proven by the cestui que trust claiming a preference, the burden shifts to the receiver to show that the assets were not augmented by that fund or, in any event, did not increase the amount of assets coming into his hands. Under the facts in this

case, it was of no moment that the cash balance of the bank, subsequent to receipt of the trust fund and before its insolvency, on numerous occasions was less than the amount of such trust fund, the current ordinary banking personal property assets being several times that amount. Plaintiff's claim allowed as a preference but without interest. *Eastman vs. Farmers State Bk. of Olivia et al. Sup. Ct. Minn. Decided September 29, 1928.*

NOTES. TENANTS BY THE ENTIRETY

Caroline Aaby and Ole B. Aaby, husband and wife, sold their homestead and took a \$3,800 note in payment, made out to them jointly, which note was left in custody of Henry Huber, a nominal party to the action. The husband assigned his interest in the note to appellant, Citizens National Bank of Stoughton. The circuit court held that the note and proceeds constituted an estate in husband and wife by the entirety, and directed payment to them clear of any claim of the bank. The bank appealed. Held that the married women's act, sec. 246.03, Stats., applies to both real estate and personal property, and within the reasoning of *Wallace vs. St. John*, there can be no estate by the entirety either in real estate or personal property. The law makes no restriction on the voluntary disposition of the fund. Judgment reversed. *Aaby vs. Kaupanger. Sup. Ct. Wis. Decided October 9, 1928.*

PLEDGES

Held that a commercial bank under Minnesota law has no power to pledge bills receivable to secure deposits, even though it be to induce an extension of a past due deposit. *Farmers State Bank of Gatzke vs. County of Marshall. Sup. St. Minn. Decided October 5, 1928.*

POWERS OF NATIONAL BANKS. GUARANTY. ULTRA VIRES

Action for balance due on materials furnished to trustee of insolvent contractors to complete the work. In the prosecution of legitimate banking business, the bank had made loans to a company that was threatened with utter insolvency, and these loans bid fair to become a total loss. It seemed to the bank that something might be saved if the work could be completed, and its guaranty was made with that single purpose in view. It was being carried on by a trustee who, the court may assume, represented every interest. These contractors had already gone to the wall, and what was done was done, not to lend credit to them, but to enable the trustee to gather up for creditors all available fragments. Held that the bank had in good faith stumbled into what was almost a hopeless situation, and one of the incidental powers of banks is the power of self-preservation. The contract was not ultra vires. When we look at the substance of things, the contract in judgment is not a contract of guaranty, as that term is used in the cases relied on, but is in fact only a contract for advancements. Judgment sustaining defendant's demurrer reversed. *Norton Grocery Co. vs. Peoples National Bk. of Abingdon. Sup. Ct. of Appeals, Va. Decided September 20, 1928.*

BREACH OF CONTRACT

Held that the law is elementary where an offer is made in one state and accepted by letter or telegram in another, the contract or engagement is completed in the state where the acceptance of the offer takes place. The parties had exchanged offers and counter-offers as to the price of the bonds. The acceptance by defendants at Denver made the contract of Colorado contract. Judgment for plaintiff Trust Company affirmed. *Keeler vs. Union Trust Co. Sup. Ct. Colorado.*

CHECKS

Defendant deposited checks from its customers in Sioux Falls National Bank, indorsed: "Pay to the order of Sioux Falls National Bank, for deposit only. John Morrell & Co." The Sioux Falls National Bank transmitted these checks to plaintiff at Sioux City, indorsed: "Pay to the order of the First National Bank of Sioux City, Iowa. Sioux Falls National Bank 98-1. Thomas A. Wadden, Vice-president and cashier", and each transmitted in a letter reading: "We inclose herewith for collection and return items as listed below". On January 11 the Sioux Falls Bank failed to open and was taken over by the Comptroller of the Currency for liquidation. The vice-president of John Morrell & Co. who was also a director of Sioux Falls National Bank, telegraphed to the various makers of the checks, and had payment of them stopped, and the makers of the checks thereafter paid the accounts represented by the checks direct to defendant. Appellant contends that because defendant received credit in his account in the Sioux Falls National Bank for the amount of the checks, the relation of debtor and creditor existed between defendant and the bank, that the bank became owner of the checks and by its indorsement of them to plaintiff, plaintiff became owner of the checks with right of recourse in the event of their dishonor, against any prior indorser. Held that this contention entirely ignores the contract between defendant and the Sioux Falls bank, created by the indorsement on the checks. The indorsement "for deposit only" is a restrictive indorsement, but the subsequent indorsee (in this case plaintiff) acquires only the title of the first indorsee under the restrictive indorsement (R. C. S. 1741) and irrespective of the directions contained in the letters of transmittal, plaintiff could only have the rights of the agent or trustee for defendant, clothed with authority to collect the checks. Defendant had a right at any time to revoke the agency of plaintiff for collection of the checks and to avoid loss by collecting through other channels the accounts due from the makers thereof. Judgment for defendant affirmed. *First National Bank of Sioux City of Iowa vs. Morrell & Co. Sup. Ct. S. D. Decided September 29, 1928.*

DEPOSITS. CHECKS

Held that in absence of special agreement in regard to a particular check, the presumption is that it is received by the bank pursuant to the banking custom; and if it is the custom for a bank to receive checks, in the absence of special agreement, for collection only, to be recharged in the event the collection is not made, although credit for the amount thereof is

given the depositor when the deposit is made, the presumption is that the parties contracted with reference to this custom. *Bank of Charleston vs. Hill*. Sup. Ct. Ark. Decided October 8, 1928.

WASHINGTON NOTES

These notes are supplied by George C. Shimm, Wilkins Building, Washington, D. C., representative of the National Association of Credit Men at the Capital.

Overtime Parking of Stock on Merchant's Shelves

According to a Department of Commerce bulletin, by Dr. Julius Klein, Director of the Bureau of Foreign and Domestic Commerce, preventive measures against overtime parking can be applied as profitably to goods on the average retailer's shelves as to traffic at his door. This conclusion is based on facts disclosed by studies the Commerce Department is making in connection with its campaign against waste distribution.

The problem of dead and slow-moving stock, with the accumulation of charges involved, such as depreciation, taxes, interest, etc., can be solved in most cases by the installation of an adequate stock control system. Such a system need involve practically no expense outside of the cost of physical equipment.

The bulletin prepared in the Domestic Commerce division of the Department—which may be obtained free upon request—describes a model stock control system that has been employed successfully by a retail merchant. By means of this system the retailer in question was able to reduce his stock more than 30 per cent. while at the same time increasing his volume of sales 20 per cent. and his profits 50 per cent. The first year the system was working his stock turnover was something less than four times, while the following year he was able to show a stock turn of six times.

Among other data which the stock control system brought to light was the fact that what the merchant has considered a "fair" stock in some items was really sufficient to last him a number of years. On the other hand he definitely ascertained what items were moving rapidly and was able to gauge his purchases accordingly. Before the inauguration of the system the heavy investment in inventory would seldom permit experimenting with new lines of merchandise. The release of capital resulting from the operation of the new method has enabled him to search out and stock new and untried merchandise which appears to have merit.

Tax Opinions and Decisions

The General Counsel of the Bureau of Internal Revenue recently issued an opinion affecting stock bonus or profit sharing trusts under the Internal Revenue Act of 1926:

Under a profit-sharing plan a corporation allotted in the case of one of its employees certain shares of stock as a bonus for the years 1923 to 1926, which, however, were not issued to him but were held in trust by a profit-sharing committee, cer-

tificates of conditional interest being issued to the employee. While it was provided that prior to delivery of the stock the employee should be entitled to receive the amount of dividends declared thereon, he was not a stockholder in the corporation until the delivery of the stock. In 1927 certain shares of stock were distributed by the corporation to the committee as a stock dividend, and the employee received from the committee a proportionate share thereof.

It was held that as no contributions to the trust fund were made by the employee the entire amount of stock distributed to him represents income for the year of receipt to the extent of its fair market value. The amount received constitutes a distribution of the corpus of the fund and can not be classified as a dividend under section 216 (a) of the Revenue Act of 1926.

Another opinion of the General Counsel of Internal Revenue Bureau has to do with exchanges of property for other property and money, and the gain or loss derived thereby, as affected by the Revenue Act of 1926. Briefly, the opinion is quoted from the syllabus as follows:

An exchange of investment property was made for property of a like kind, the terms of the exchange providing also for payment by the party of the second part of cash and his assumption of a mortgage on the property given in exchange by the taxpayer, party of the first part.

It was held, that the transaction should be treated as an exchange of property by the taxpayer for property of a like kind and for money, under the provisions of section 203 (d) 1 of the Revenue Act of 1926, and that the mortgage assumed should be treated as "money" under the provisions of such section.

Still another opinion of the General Counsel refers to the losses sustained in the control by one corporation of the stock of a competitive corporation. Briefly, the opinion holds that:

Where a corporation purchases sufficient stock in a competitive corporation to secure control of such corporation and directs the policies of such corporation in co-operation with its own business, the transaction is one entered into furtherance of the taxpayer's business, and a loss sustained by such stock becoming worthless is a net loss incurred in the operation of the taxpayer's business within the meaning of section 204 of the Revenue Act of 1921.

Another opinion by the Internal Revenue Bureau deals with the status of business leagues, chambers of commerce, and boards of trade. There is quoted below the syllabus of the opinion, from which the point involved may be gathered:

The M. Corporation obtained the exclusive right to grant licenses for the use of certain patents. The principal business of the corporation was the collection from its sublicensees of royalties, which were paid in part to the owner of the patents and in part retained by the corporation; the protection of licenses in litigation involving the patents; the prosecution of infringements; and the advertising of the patents. Shares of stock were issued to the licensees, and they were liable for assessments based on the extent of services rendered. No dividends have been declared by the corporation, but the charter expressly provided for the declaration thereof.

It was held, that the organization is not exempt from taxation as a business league under section 231 (7) of the Revenue Act of 1926 and the corresponding provisions of prior Revenue Acts.

Home Economics for Boys

The Department of the Interior has recently issued an interesting memorandum on the subject of Home Economics for Boys. According to the statement such instructions are being given to boys in forty-two states. There are now more than 7,000 boys in high schools taking such courses. In Tulsa, Oklahoma, a year of home economics is required of boys before they may graduate.

Instruction in home economics for boys, the Federal Bureau of Education says, is not a new venture. For some time, in various sections of the United States, there have been sporadic offerings of this work to boys. But within the past two years a feeling has developed among school superintendents, as well as the laity, that boys need instruction in the fundamental principles underlying successful American home life.

The universal interest in health, keeping fit, longevity, and fine citizenship has today superseded the false notion, held by some people, that home economics instruction for boys "will develop them into cooks and seamstresses." It is now recognized that boys are called upon daily to select food either at home, in the school, or in restaurants; often to buy clothing, and later in their lives to build, purchase, or rent a home and to be co-partners in the rearing of a family. The greater part of the money that boys will earn through all their lives after they become men will be spent in their homes. A proper understanding of the problems of those homes promises to be of constant practical value to them after they become men and acquire families.

It is also recognized that some phases of home-economics education are needed for boys to become intelligent consumers of "economic goods" and sympathetic participants in home and family life.

* * *

Estimated Carload Shipments for Last Three Months of 1928

Shippers of the country, through estimates of the Shippers' Regional Advisory Board, anticipate that carload shipments of the 29 principal commodities in the fourth quarter of this year,—October, November and December,—will be approximately 9,279,472 cars, an increase of 431,599 cars above the corresponding period of 1927 or 4.9 per cent., according to the Car Service Division of the American Railway Association.

The Shippers' Regional Advisory Board, covering the entire United States, furnish these estimates periodically to the Car Service Division in order that the railways may have a guide as to the service they are to be called upon to perform in a given quarter.

These estimates are based on the best information obtainable at the present time by the commodity committees of various Boards as to the transportation requirements outlook.

Of the thirteen Shippers' Regional Advisory Boards, eleven anticipated an increase in their respective districts in transportation requirements for the fourth quarter of the year compared with the same period last year while the other two (Central Western and Ohio Valley), expected a decrease. The eleven Boards which estimated an increase over the preceding year were the Atlantic States, Allegheny, Great Lakes, Northwestern, Pacific Coast, South-eastern, Southwestern, Middle Western,

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Can't Afford Not to Pay

THE El Paso Herald remarks that "good medicine for ordinary every-day debtors is President Coolidge's comment on Europe's war debts: 'It is probable we could better afford to lose them than our debtors could afford not to pay them.' Credit spells Character."

The Credit Manual

SPECIAL attention is directed to a decision of the Court of Appeals of West Virginia in a case entitled Campen Bros. vs. Stewart, et al., decided October 30, 1928, wherein it was held that a stipulation in a promissory note that if it be collected by an attorney or through legal proceedings, an attorney's fee of a stated per centum in addition to the expenses incident to collection shall be collected as part of the note, is against public policy in West Virginia and is void and unenforceable. The policy of the law was stated by the court to require application of the aforesaid principle not only to promissory notes made payable in West Virginia, but to all notes wherever made payable, for which West Virginia affords the forum for collection. The case of Bank vs. Jeffries, 99 W. Va. 399, insofar as that case is at variance with the above points or either of them was specifically disapproved.

This decision is but another illustration of the constant changes in the law which are reflected annually in the "Credit Manual of Commercial Laws with Diary," and emphasizes the danger of relying on an old edition of the book.

Under the heading "Maintenance of Resale Prices and Right of Manufacturer to Stop Dealing with Customers Who Do Not Maintain Prices Fixed by the Manufacturer" in the 1929 edition of the Credit Manual, appears an interesting brief on this important subject.



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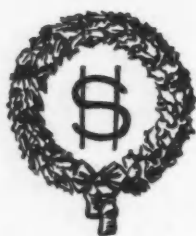
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San Francisco—Board of Trade of San Francisco, 444 Market St., G. W. Brainard, Sec'y. Note: Independent Organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the San Francisco Association of Credit Men. (ABRT)

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ern Mass. Assoc. of Credit Men, 616 State Bldg., H. E. Morton, Mgr. (ABCPRT)

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Minneapolis—Collections and Traveling Adjuster Service; Associated Creditors, Inc., 540-44 Baker Arcade, J. L. Brown, Secy.-Treas. For Rehabilitations and Liquidations see St. Paul. (CP)

St. Paul—Rehabilitations and Liquidations. The Northwestern Jobbers Credit Bureau, 241 Endicott Bldg., W. C. Rodgers, Mgr. For Collections and Traveling Adjuster Service, see Minneapolis. (ABRT)

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NEW YORK—Buffalo—Western New York Adjustment Corp., 704 Erie County Bank Bldg., L. E. Chandler, Mgr. (ABCPRT)

New York City—New York Credit Men's Adjustment Bureau, Inc., 408 Fourth Ave., M. W. Clark, Mgr. (ABCPRT)

NORTH CAROLINA—Charlotte—Credit Interchange and Adjustment Bureau, Inc., of the Charlotte Association of Credit Men, 1117 Commercial Bk. Bldg., W. H. Abernethy, Jr., Mgr. (ABCPRT)

OHIO—Cincinnati—Commercial & Industrial Engineering Department of the Cincinnati Association of Credit Men, Temple Bar Bldg., J. L. Richey, Mgr. (ABCPRT)

Cleveland—Adjustment Bureau of the Cleveland Association of Credit Men, 323 Engineers Bldg., Hugh Wells, Mgr. (ABCPRT)

Columbus—Central Ohio Credit Interchange & Adjustment Bureau, 244 So. Third St., J. E. Fagan, Mgr. (ABCPRT)

Toledo—Adjustment Bureau of the Toledo Association of Credit Men, National Bldg., H. W. Voss, Mgr. (ABCPRT)

Youngstown—Adjustment Bureau of the Youngstown Association of Credit Men, 1108 Mahoning Bank Bldg., H. B. Doyle, Mgr. (ABRT)

OKLAHOMA—Oklahoma City—Adjustment Bureau of the Oklahoma City Association of Credit Men, 230 Terminal Arcade Bldg., E. E. Barbee, Mgr. (ABPRT)

OREGON—Portland—Adjustment Bureau of the Portland Association of Credit Men, 671 Pittcock Block, E. W. Johnson, Mgr., W. Redman, Executive Secretary. (ABCPRT)

PENNSYLVANIA—Allentown—Lehigh Valley Adjustment Bureau, 463 Hunsicker Bldg., J. H. J. Reinhard, Mgr. (ABCPRT)

Philadelphia—Adjustment Bureau of the Philadelphia Association of Credit Men, 1502 North American Bldg., D. A. Longacre, Mgr. (ABCPRT)

Pittsburgh—Adjustment Bureau of The Credit Association of Western Pa., 1213 Chamber of Commerce Bldg., H. M. Oliver, Mgr. (ABCPRT)

Johnstown—(Eastern Dist. Office) Adjust-

ment Bureau of The Credit Assn. of Western Pa., 632 Swank Bldg., R. H. Coleman, Dist. Mgr. (ABCPRT)

Uniontown—Adjustment Bureau of The Credit Association of Western Pa., 701 Fayette Title & Trust Bldg., F. W. Mosier, Dist. Mgr. (ABCPRT)

RHODE ISLAND—Providence—Adjustment Bureau of the Rhode Island Association of Credit Men, 87 Weybosset St., C. E. Austin, Jr., Mgr. (ABCPRT)

SOUTH CAROLINA—Southeastern Credit Assn., 313-15 Southern Finance Bldg., Augusta, Ga., offices in Columbia and Charleston, S. C. (ABPRT)

TENNESSEE—Chattanooga—Adjustment Bureau of the Chattanooga Association of Credit Men, 1115 Hamilton Natl. Bank Bldg., J. H. McCallum, Mgr. (ABCPRT)

Knoxville—Adjustment Bureau of the Knoxville Association of Credit Men, American National Bank Bldg., W. E. Bibee, Mgr. (ABCPRT)

Memphis—Adjustment Bureau of the Memphis Association of Credit Men, P. O. Box 211, E. N. Dietler. (ABCPRT)

TEXAS—Dallas—North Texas Credit Interchange & Adjustment Bureau, Suite 725, Santa Fe Bldg., Vernor Hall, Mgr. (ABCPRT)

El Paso—Adjustment Bureau of the Tri-State Association of Credit Men, 623 Caples Bldg., James Neeson, Mgr. (ABCPRT)

Houston—Adjustment Bureau of the Houston Association of Credit Men, 433 First National Bank Bldg., Morris D. Meyer, Mgr. (ABCPRT)

San Antonio—Adjustment Bureau of the San Antonio Association of Credit Men, 213 Alamo National Bank Bldg., Henry A. Hirschberg, Mgr. (ABPRT)

UTAH—Salt Lake City—Adjustment Bureau of the Inter-Mountain Association of Credit Men, 1411 Walker Bank Bldg., Robert Peel, Mgr. (ABCPRT)

VIRGINIA—Lynchburg—Adjustment Bureau of the Lynchburg Association of Credit Men, 406 Lynch Bldg., S. H. Wood, Mgr., Mrs. M. A. Blair, Asst. Mgr. (ABCPRT)

Norfolk—Adjustment Bureau of the Norfolk-Tidewater Association of Credit Men (Branch Office of Richmond Credit Interchange & Adjustment Bureau, Inc.), 1210 Bank of Commerce Bldg., Shelton N. Woodard, Mgr. (ABCPRT)

Richmond—Richmond Credit Interchange & Adjustment Bureau, Inc., J. P. Abernethy, Mgr., 208-10 State Planters Bk. Bldg. (ABCPRT)

WASHINGTON—Seattle—Seattle Merchants Association, 314 Colman Bldg., Peter Balkema, Mgr. (ABRT)

Seattle—Collection Dept. of the Seattle A. C. M., 427 Colman Bldg., E. V. Grisvard, Mgr. (CP)

Spokane—Spokane Merchants Association, 718 Realty Bldg., J. D. Meikle, Mgr. (ABCPRT)

Tacoma—Wholesalers' Association of Tacoma, 802 Tacoma Bldg., E. B. Lung, Sec'y, (ABPRT)

WEST VIRGINIA—Clarksburg—Central W. Va. Credit & Adjustment Bureau, 410 Union Bank Bldg., U. R. Hoffman, Mgr. (ABCPRT)

Huntington—Tri-State Credit & Adjustment Bureau, 1200 First Huntington National Bank Bldg., E. V. Townshend, Mgr. (ABCPRT)

Bluefield—(Branch Office) Tri-State Credit & Adjustment Bureau, Bailey Bldg., C. B. Smith, Mgr. (ABCPRT)

Charleston—(Branch Office) Tri-State Credit & Adjustment Bureau, 406 Capital City Bk. Bldg., Lee H. Henkel, Mgr. (ABCPRT)

WISCONSIN—Milwaukee—Adjustment Bureau of the Milwaukee Association of Credit Men, 706 Mayer Bldg., Jas. G. Romer, Executive Mgr. (ABCPRT)

Green Bay—Adjustment Bureau of the Northern-Wisconsin Michigan Association of Credit Men, Kellogg National Bank Bldg., C. W. Shekey, Mgr. (ABCPRT)

Oshkosh—Adjustment Bureau of the Central Wisconsin Association of Credit Men, 311-13 First Natl. Bank Bldg., C. D. Breon, Mgr. (ABCPRT)

THE NATIONAL INSTITUTE OF CREDIT

Presents

A NEW CURRICULUM**REVISED REQUIREMENTS**

In response to the wishes of the Educational Committees of many local Associations, the National Institute of Credit has made important changes in the program of courses required for its Junior and Senior Certificates. The new requirements, which are effective immediately, are set forth in the box in the center of this page.

ORGANIZATION of CHAPTERS

One of the Association's chief objectives for the year 1928-29 is the establishment of a large number of new Chapters of the Institute. The Director of the Department of Education and Research will, by direction of the Executive Manager, spend much of his time in the field, assisting local Secretaries and Educational Committees in Chapter organization work. The Officers and Directors of the Association desire particularly to bring into the National program a number of important locals which have been conducting credit courses but which have not organized Chapters of the Institute.

REGISTRATION

In order to give each Chapter member a direct contact with the Institute and to enable the Institute to be of the greatest possible help to its students, a new system of registration will be put into operation. Special registration forms in duplicate will be furnished to the Chapters at cost. The original is to be sent to the National Office and the duplicate retained as part of the Chapter records. At the end of each course the Chapter Secretary will certify to the National Office the grades of all students completing the course. Course cards will then be issued over the signature of the Director of the Department.

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An enlarged and improved Certificate will be issued to students who qualify under the Junior and Senior programs. These will be engrossed,

suitable for framing, and will carry a seal and the signatures of the Executive Manager and the Director of the Department, as well as those of several other local or National officers of the Association. A nominal fee, sufficient to cover the cost of engraving, engrossing and mailing, will be charged for the Certificates.

JUNIOR CERTIFICATE

	Hours
Credits and Collections	30
Financial Statement Analysis	30
Business English (emphasizing Credit and Collection correspondence)	30
Economics	30
Total	120

SENIOR CERTIFICATE

Business Law	30
Merchandising	30
Public Speaking	30
Advanced Credits	30
Total	120

ASSOCIATES AND FELLOWS

Recognition of experience, in addition to educational training, will be continued. Students who have been awarded the Junior Certificate and who have had three years of practical credit experience become Associates of the National Institute of Credit. Students who have been awarded the Senior Certificate and who have had five years of practical experience become (provided they are at least 25 years of age) Fellows of the National Institute of Credit.

TEXTS

For the year 1928-29, Chapters will choose their own texts in all courses except Public Speaking,

in which the Institute will provide the text. By the fall of 1929 the Institute will, in all probability, provide its own text also in Credits and Collections. Other Institute texts will be added as rapidly as possible.

CORRESPONDENCE COURSES

The Institute now offers two correspondence courses: Credits and Collections, and Basic Economics. The material in each course consists of a text book, printed lecture assignments, and problems to be solved and sent to the Director of the Institute for correction and grading, after which they are returned to the student with grade and comments.

The text in the Credits and Collections course is the original edition of "Credits and Collections," by David E. Golieb and Richard P. Ettinger. In the Basic Economics course the text is Henry Clay's "Economics for the General Reader" (the American edition, edited by Professor Eugene E. Agger).

The courses are \$20.00 each, or \$35.00 if taken together. This is at cost. Students who wish full information concerning the correspondence courses should fill out and mail immediately the coupon at the lower left-hand corner of this page.

The White Fireman



THE interest at 5% on a half-billion dollars is the amount that faulty chimneys and flues add to America's annual fire loss.

Knowing this loss to be strictly preventable, the White Fireman set about to find a remedy for the condition. Years of research work enabled him to prepare a practical ordinance for chimney construction, suitable for cities and towns of any size. After securing the general approval of architects, heating engineers and building material manufacturers he started his efforts to have his ordinance adopted by city governments.

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THE White Fireman symbolizes the Loss-Prevention Service supported by insurance companies. This service includes: Consultation on proposed structures, that they may be as fire-safe as possible. Inspection of property, with recommendations for the reduction of fire-hazards. Maintenance of the Underwriters' Laboratories for the testing of building materials, the practical trial of fire extinguishers and other protective equipment, the examination of electrical apparatus and materials. Various other kinds of technical assistance for the furtherance of property conservation. The North America Agent will tell you how to secure this valuable service.

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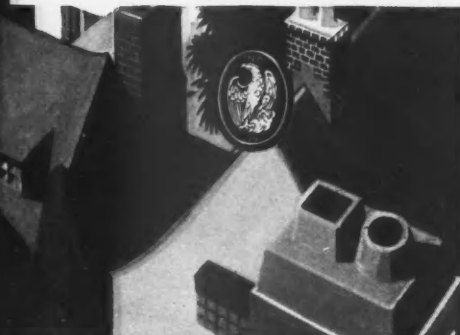
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